



Annual Report 2013

Agricultural
Bank of Taiwan



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AGRICULTURAL BANK OF TAIWAN



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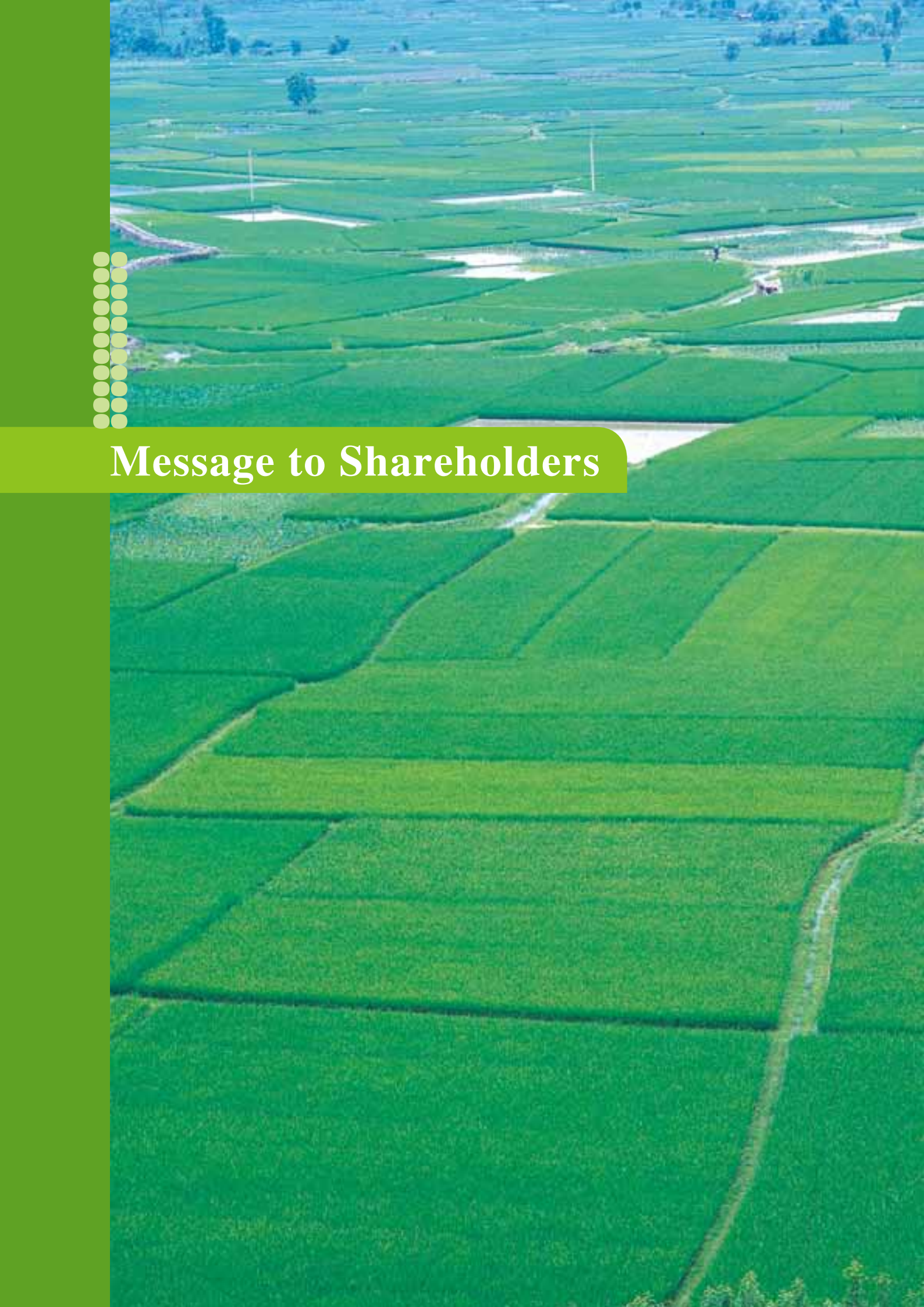
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Message to Shareholders

Looking back on the first half of 2013, problems including national debt and unemployment in western developed nations eased. Fortunately, the economy began to recover in the second half of the year, which is why the global economy could rebound in 2014. In terms of the domestic economy, due to the global economic slowdown as well as our primary trade partners falling short of performance expectations, our country's exports have been affected, with corporate investments falling and salaries remaining flat. This has further resulted in a limited rebound in terms of consumer spending. According to the Directorate General of Budget, Accounting and Statistics of the Executive Yuan, the economy grew by 2.11% in 2013, which was lower than the originally estimated 3.59%.

In terms of prospects for the year 2014, the International Monetary Fund (IMF) forecasts that global trade volumes will be driven up by the economic upturn, and the global economic growth for 2014 could reach 3.75%. The Global Insight estimates a global economic growth rate of 3.3% for 2014. The economies of developed Western countries are expected to experience strong recovery, which will in turn benefit the momentum of Taiwan's exports. On the other hand, due to changes in Mainland China's economic structure, its formerly rapid growth has dramatically slowed. In addition, with the relationship between industries across the Taiwan Strait gradually evolving from a cooperative relationship to a competitive one, Taiwan's exports could be impacted. The United States' gradual pull-back of its quantitative easing (QE) policy will also cause fluctuations in the economy, with domestic consumer spending likely rising only slightly due to limited salary growth. However, the government is currently promoting the Taiwan Free Economic Pilot Zones and working towards a more open market with less regulatory restrictions, thereby building an ideal business and investment environment and invigorating the private sector. In summary, the domestic economy this year will become increasingly better and experience a steady recovery. The Directorate General of Budget, Accounting and Statistics of the Executive Yuan forecasts that Taiwan's economy will grow by 2.82% in 2014.



Mr. C.H. Chen
(Chairperson)

The bank legally accepts redeposits from the farmers' and fisheries associations, and in face of the relaxed capital market, the massive redeposited funds has caused a huge pressure. In order to effectively invest our capital, ABT implements measures including strengthening of internal management, avoiding investments with overly concentrated risk, enhancing risk factor identification capabilities, increasing transaction authorization levels, flexibly distributing company assets, enhancing bond business operations, and adjusting capital structures in order to reduce the interest rate risk, thereby achieving steady growth and development. In terms of the loan business, in addition to expanding operations relating to government agencies and state-run businesses that have lower risk weights, we also give priority to policy-based agricultural loans, financing of major government construction projects, syndicated loans, as well as focus on the financing of mid-to-large-sized enterprises. We also work with the farmers' and fisheries associations to promote syndicated loan projects in order to boost the competitiveness of the loans departments of the farmers' and fisheries associations, as well as to improve the quality of their loans, thereby creating win-win situations for the farmers' and fisheries associations, and ABT as well. In terms of the banking agent business, in order to boost the demand deposit ratio, increase risk-free transaction fees, develop new customer base, and provide the general public with fast and convenient payment services, we continue to integrate channels of the farmers' and fisheries associations, encourage various institutions, organizations, and corporations to take advantage of our banking agent services, and work with other financial institutions in order to form composite banking agent services. In terms of the credit card business, in order to combine the resources of the farmers' and fisheries associations, boost the positive image of agricultural financial services, and drive the sales of agricultural and seafood products, we are issuing joint credit cards called the Agricultural Golden Card (including EasyCard functionality) in conjunction with a credit-card issuing bank. After less than two years of offering this card, we have already issued approximately 56 thousand cards.



Y.H. Chiou
(S.V.P. & General Manager, Dept. of Business)

With the globalization of the agriculture and fishing industries, ABT is currently planning to establish an international banking department in order to strengthen our foreign-currency assets and liabilities, as well as to assist farmers and fishermen in processing import and export operations, deposits and loans in foreign currencies, as well as inward and outward remittance in foreign currencies. We have also signed the "Farmers' and Fisheries Associations Shared Accounting System Construction, Maintenance and Operation Agreement" with the "National Agriculture, Fishery and Finance Information Center," and shall take charge of the construction, maintenance and operation of the "Shared Accounting System for the Farmers' and Fisheries Associations" in order to conduct system integration so as to utilize the full value and potential of the channels of the agricultural finance system, to guide and implement the loan business divisions of the farmers' and fisheries associations, as well as their financial operations, to develop new financial products for joint sale with the farmers' and fisheries associations, as well as to focus on the customer relationship management in order to achieve the statutory goals of ABT. ABT's pre-tax income for 2013 amounted to 558 million NTD. We shall continue to strive to promote and develop various businesses as well as strengthen business integration in order to assist the farmers' and fisheries associations in expanding their businesses, in hopes of creating mutual beneficial futures for ABT, the farmers' and fisheries associations. We hope that all of our shareholders will give us their continued support and encouragement for achieving sustainable growth and development.

A. Business Report 2013

1. Operating Results

(1) Deposits

Balance of deposits as of yearend of 2013 amounted to NT\$672,803,626,000, an increase of NT\$19,209,054,000 or 2.94% over the 2012 yearend balance; deposits of farmers' and fisheries associations amounted to NT\$662,338,679,000, or 98.44% of total deposits, and current deposits amounted to NT\$5,757,659,000, or 0.86% of total deposit.

(2) Loans

- a. Total loans as of yearend of 2013 amounted to NT \$ 221,126,221,000, an increase of NT\$26,365,752,000, or 13.54% over the 2012 yearend balance; wherein the agricultural loan amounted to NT\$8,676,841,000, or 3.92% of total loans, and regular loans amounted to NT\$212,449,380,000, or 96.08% of total loans.
- b. Total syndicated loans processed and managed with the farmers' and fisheries associations as of yearend of 2013 amounted to NT\$51,137,875,000, including syndicated loans to county and city governments and regular syndicated loans; total loan exposure of other syndication participants amounted to NT\$23,093,166,000 (or 45.16%), whereas, our bank's exposure in the loan syndication amounted to NT\$28,044,709,000 (or 54.84%).

2. Budget execution and operating performance of 2013 net profit before tax

(1) Budget Execution

The profit before tax of year 2013 amounted to NT\$557,815,000; against the originally estimated target of NT\$450,000,000, a goal achievement rate of 123.96% was attained.

(2) Operating Performance

The CPA-audited net income for year 2013 amounted to NT\$1,896,858,000; divided into net interest revenue amounting NT\$1,371,992,000 and net non-interest revenue amounting NT\$524,866,000.

3. Achievements in guidance the credit departments of the farmers' and fisheries associations in 2013

- (1) Operation related information of the credit departments of farmers' and fisheries associations in 2013 are provided below :

December 31, 2013

Unit in NTD Thousand

Item	Year	2013	2012	Difference
Total Deposits		1,647,093,206	1,585,142,469	61,950,737
Total Loans		885,747,379	812,522,448	73,224,931
Amount of NPL		9,096,402	12,527,623	- 3,431,221
Revenue		4,895,200	4,885,266	9,934
Net Value		109,330,425	103,987,259	5,343,166
Loan-to-Deposit Ratio		50.42 %	47.95 %	2.47 %
NPL Ratio		1.03 %	1.54 %	- 0.51 %
Capital Adequacy Ratio		13.12 %	13.28 %	- 0.16 %
Number of associations with NPL ratio higher than 15%		5	11	- 6

- (2) General and project guidance business : In 2013, ABT conducted 4,009 general guidance sessions and 1,079 project guidance sessions, or a combined total of 5,088 sessions. In addition, ABT attended 487 business meetings of the credit departments of farmers' and fisheries associations, 89 liaison meetings with other agencies, and held 38 guidance sessions with farmers, fishery, and farming enterprises.
- (3) Allocations for policy-oriented special agricultural loans in 2013 was initially set at NT\$30 Billion ; the annual total value of loans released in the year amounted to NT\$208.2billion, or an implementation rate of 69.64%.
- (4) Financial operation audit and performance evaluation : In coordination with the requirement of local competent authorities, ABT conducted 316 reviews (business inspections) of the financial examination deficiency rectification procedures of the credit departments and 205 audits (including audit of the liquid assets) on the financing operations of the credit departments. In addition, in the Year 2012 credit department performance evaluation procedure, 302 copies of the performance evaluation reports were prepared.
- (5) In 2013, we held 30 seminars, including the Seminar on the Internal Control of the Credit Departments of the Farmers' and Fisheries Associations, the Seminar on the Elementary Credit Investigation Regulations and Practice of the Credit Departments of the Farmers' and Fisheries Associations, the Secretary-General Forum for the Farmers' and Fisheries Associations, the Seminar on the Syndicated Loans Business, the Seminar on the Internal Control, Internal Auditing and the Commonly Seen Errors of Agricultural Loan Project of the Credit Department and the Auditing Operations Manual Revisions, the Corporate Credit Investigation and Loan Practical Course, as well as the Trust Business Seminar, with a total of 2,659 attendants.

- (6) The bank continued providing assistance to the credit departments of farmers' & fisheries associations on the program for upgrading the loan-to-deposit ratio. The credit departments of all farmers' and fisheries associations posted a loan-to-deposit ratio of 50.42% as of December 31, 2013, an increase of 0.98% vis-à-vis the 47.95% posted on December 31, 2012.
- (7) In accordance with the regulations of the Financial Supervisory Commission's, and to cater to the needs of the farmers' and fisheries associations, the related operation regulations and templates of the credit departments of the farmers' and fisheries associations have been either defined or revised to ensure consistent operations and boost efficiency. Revisions: "Standardized Agreement (Template) for the Farmers' (Fisheries) Association Personal Online Banking Services," "Demand (Savings) Deposit Contract (Template) of the Farmers' (Fisheries) Associations ; "the following portions of the Credit Investigation and Loan Operations Manual of the credit departments of the farmers' (Fisheries) Association : "Loan Guidelines for Members," "Insurance Business Operations Regulations (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "Insurance Salesperson Management Guidelines (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "Insurance Salesperson's Insurance Operation Guidelines (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "The Insured Client Complaint Processing Procedures and Guidelines (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "Self-Auditing Worksheet (Template) for Insurance Operations of the Credit Departments of the Farmers' and Fisheries Associations," "Important Provisions of the Corporate Financial Loan Agreement and Risk Disclosure Statement (Template) of the Farmers' and Fisheries Associations," "Important Provisions of the Consumer Loan Agreement and Risk Disclosure Statement (Template) of the Farmers' and Fisheries Associations," "Fulfillment of the Duty of Disclosure of Article 8 Paragraph 1 of the Personal Information Protection Act (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "Internal Control and Business Audit Manual (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "the Operations Flow Manual : "Client Category – Visually Impaired Citizens of Taiwan" of the Credit Departments of the Farmers' and Fisheries Associations, Credit Investigation and Loan Operations Manual : "Personal Information Protection Act" and "Loan Agreement of the Credit Departments of the Farmers' and Fisheries Associations," "Ownership of Securities Guidelines (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "Deposit Account, Suspected Illegal Transaction, or Obvious Problematic Transaction Management Guidelines (Template) of the Credit Departments of the Farmers' and Fisheries Associations," "Guidelines for the Processing of Inquiries from Government Agencies and Acceptance of Seizure-Related Payments of the Credit Departments of the Farmers' and Fisheries Associations," and "Financial Operations Guidelines of the Farmers' Association."

4. Research and Development

ABT's research and development program is designed to strengthen the asset allocation planning and enhance the risk management proficiency. Its primary task is to employ consultants to assist in the construction of the risk management system modules. The program shall accomplish the following tasks : counterparty risk assessment, product evaluation and risk assessment, VaR control and management module. It's projected to continue the module verification, stress test and scenario analysis module, corporate loan account risk assessment, and planning of establishment of the risk management system. ABT has poured NT\$720,000 as the R&D expenditure.



B. Summary of the 2014 Business Plan

1. Corporate Policy

In compliance with promulgated government policies, we have aggressively optimized the functions of the regulatory organization of the credit departments of farmers' and fisheries associations and aided these credit departments in establishing their pertinent systems, improving the quality of their loans and revenue structure, and enhancing their organizational structure for sounder operations. Collaborated efforts were made to strengthen the agricultural finance system and to foster the development of the farming and fishery economics of the country. We seek to achieve the optimal performance of our operations for the benefit of our shareholders.

2. Projected business goals for 2014 (year-end balance)

Deposits : NT\$ 695,000,000,000 (annual average business volume of NT\$ 684,200,000,000)

Loans : NT\$ 240,000,000,000 (annual average business volume of NT\$224,074,000,000)

Net profit before tax : NT\$520,000,000

3. Development strategies

- (1) Realization of policy goals and stabilization of agricultural finance in line with the bank founding objectives of the government.
- (2) Enhancement of finances to foster a sound capital structure, maintain an appropriate capital adequacy ratio, and enhance the internal control and risk control systems.
- (3) Active implementation of policy-oriented special agricultural loans, processing of management services for the Agricultural Development Fund Loan, and providing assistance in the development of agricultural and fishery industries.
- (4) Continued acceptance of redeposits from the credit departments of farmers' and fisheries associations and processing of financing loans ; expansion of the loan business range (granting priorities to agricultural, forestry, fishery and livestock businesses) and financial investment ; acceleration of the asset structure improvement work for the enhancement of ABT' s business performance.
- (5) Implementation of the guidance sessions for the business and finance operations of the credit departments of farmers' and fisheries associations ; development of new financial products for co-marketing ; and strengthening of the competitive power of the agricultural financial institutions.
- (6) Emphasis on the customer relation management and strengthening of liaison and exchanges with the borrowers of farmers' and fisheries associations and ABT, thereby enhancing the customer satisfaction.

- (7) Work with the farmers' and fisheries associations in giving out home loans, thereby improving ABT's loan structure, helping the farmers' and fisheries associations maintain customer relationship, and hoping to adjust their loans structures.
- (8) In order to comply with statutory capital requirements and respond to changes in ABT's financial structure, we plan to increase our capital from 20.484 billion NT dollars to 30 billion NT dollars, and will conduct capital increases by cash in two stages in 2014 and 2017, respectively.
- (9) In order to provide a diverse range of financial services, we will form strategic alliances with credit-card issuing institutions to jointly introduce co-branded credit cards that are agricultural-finance-system oriented, thereby combining the resources of the agriculture, fishing, recreation, and tourism industries and helping to drive economic growth in agricultural and fishing villages.
- (10) We plan to establish an international banking department in order to strengthen our foreign-currency assets and liabilities as well as to assist farmers and fishermen in the import and export operations, deposits and loans in foreign currencies, and inward and outward remittance in foreign currencies.
- (11) We will enhance the quality and efficiency of our information systems as well as strengthen the security and protection measures. We also plan to accept the commission of the "National Agriculture, Fishery and Finance Information Center" for establishing a shared accounting system for the farmers' and fisheries associations, in the hope of achieving diverse yet integrated development of finance, IT, and logistics, thereby enhancing the competitiveness of ABT and the farmers' and fisheries associations.

C. Credit Rating

Date of Latest Credit Rating	Credit Rating Agency	Long-term Credit Rating	Short-term Credit Rating	Prospect
December 6, 2011	Taiwan Ratings Corp.	twAAA	twA-1+	Stable



Mr. C.N. Shen
(Executive Vice President)



Mr. H.M. Yan
(Executive Vice President)



Company Profile



A. Introduction

The Agricultural Bank of Taiwan was established following the consensus resolved in the National Agriculture Finance Meeting which was convened by the government on November 30, 2002 in response to the opinions and needs of the agricultural and fisheries sectors and in order to create a sound agricultural finance system. Subsequent to the legislation of the Agricultural Finance Act on July 10, 2003, the Council of Agriculture established the Bureau of Agricultural Finance under its umbrella on January 30, 2004 and set the wheels in motion for the foundation of the Agricultural Bank of Taiwan for institution of a complete, safe, and independent agricultural finance system. Organization work for ABT's establishment started on July 16,

2004, and on May 26, 2005, ABT was officially incorporated for operation with a capital of NT\$20 billion ; 49% of which came from government funding and 51% from farmers' and fisheries association funds. By the yearend of 2012, ABT posted a total assets valued at NT\$768 Billion and had a net capital of NT\$20.4 billion ; ratio of government capital was 44.8%, whereas that of farmers' and fisheries association fund was 55.17%.

The Agricultural Bank of Taiwan is the only officially authorized banking institution in the country that simultaneously functions as a professional agricultural bank and a commercial bank. It assists the government in attending to the financial requirements of farmers and fishermen. Pursuant to the provisions of the Agricultural Finance Act, the bank also serves as the regulatory organization of the credit departments of farmers' and fisheries associations ; hence, the 1,169 head and branch offices of the credit departments of farmers' and fisheries associations comprise the province-wide agricultural financial service network of the bank, enabling the bank to implement the policy of the financial support to the agricultural industry and assist in fostering the stable development of the agricultural economy.

On August 28, 2006, ABT invested NT\$3 million into the Agricultural Finance Insurance Broker Co., Ltd. (AFIB) , a fully owned subsidiary of ABT. In the yearend of 2013, AFIB posted a paid-in capital of NT\$70.3 million, and through the mobilization of the nationwide channel network of farmers' and fisheries associations, it gained strong price negotiation vantages and worked together with primary property insurance companies in the country for the allied marketing of insurance services. It opened a new door for the financial instruments and services of the farmers' and fisheries associations.



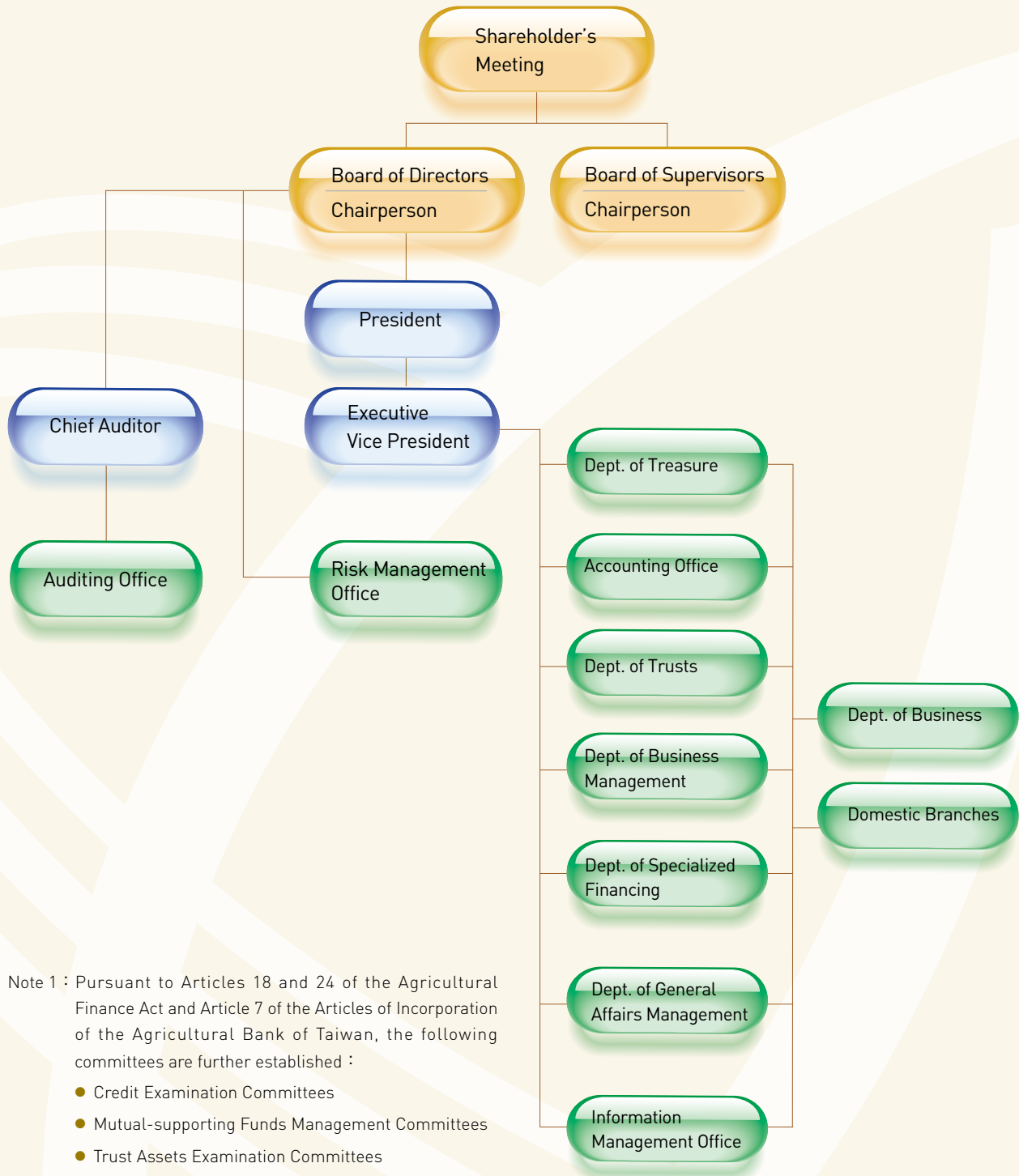
■ In the front row from left

Ms. J.F.Wu (Director of the board)	Mr. C.M. Hsu (Director of the board)	Mr. S.C. Chen (Director of the board)
Mr. S.C. Yang (Supervisor)	Mr. C.H. Chen (Chairperson)	Mr. Y.C. Chang (Director of the board)
Mr. C.C. Yo (Director of the board)	Mr. Y.C. Lin (Managing Director)	Ms. H.M. Tsai (Director of the board)

■ In the back row from left

Mr. C.Y. Lin (Supervisor)	Mr. S.C. Lin (Supervisor)	Mr. C.T. Lin (Supervisor)
Mr. H.J. Yang (Director of the board)	Mr. C.Y. Hsiao (Director of the board)	Mr. C.H. Hsu (Director of the board)
Mr. C.W. Wan (Director of the board)	Mr. C.J. Wu (Supervisor)	Mr. W.W. Yang (Director of the board))
Mr. C.H. Wang (Director of the board)	Mr. L.P. Lu (Director of the board)	

B. Organization Structure



Note 1 : Pursuant to Articles 18 and 24 of the Agricultural Finance Act and Article 7 of the Articles of Incorporation of the Agricultural Bank of Taiwan, the following committees are further established :

- Credit Examination Committees
- Mutual-supporting Funds Management Committees
- Trust Assets Examination Committees
- Risk Management Committees
- Assets and Liabilities Management Committees
- Special Guidance Committee
- Investment Examination Committees

Reinvestments :

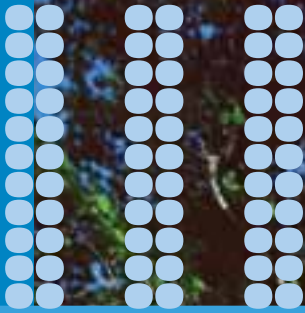
Agricultural Finance Insurance Broker Co., Ltd. (100% holdings)

C. Functions and Operations of Major Departments

Auditing Office	Planning and implementation of the auditing procedures ; audit, investigation, tracking, and evaluation of businesses of various departments ; audit of expenditures ; joint audit, bidding supervision and inspection supervision of construction projects and procurements, settings, and property sales transactions ; moreover, regular report shall be made to the Boards of Directors and Supervisors.
Risk Management Office	Planning of risk management operations ; planning and implementation of credit rating operations ; formulation and definition of risk index and risk measurement procedures ; monitoring and control of risks ; determination of the compliance of risk management operations with the related provisions of the Basel II system and the risk management related regulations of the national supervisory authority.
Dept. of Treasure	Planning and management of the appropriation of funds in local and foreign currencies, foreign currency exchange transactions, planning and management of medium and long-term capitals ; planning and management of bills, bonds and asset investments in both local and foreign currencies ; planning, subscription, and risk assessment of new financial products ; study and planning of new capital solicitation and preferred share issuances of ABT ; fund allocations, account transfers, account clearing and settlement matters with the Central Bank, banks and Financial Information Service Co., Ltd., clearing houses, and inter-bank transaction partners.
Dept. of Business	Processing of all types of deposit, bank remittance, short-, medium-, and long-term loan and bank guarantee related matters ; distribute different kinds of funds, beneficiary certificates, gold, gold coins, silver coins, and act as the custodian agent of marketable securities and certificates of creditor's rights .
Dept. of Trusts	Planning, marketing and management of trust products ; management of monetary trust and real estate investment trust.
Dept. of Business Management	Amendment and definition of bylaw provisions ; formulation of business policies and guidelines ; formulation and implementation of the annual business plans and preparation of the related analysis reports ; planning and management of deposit, remittance, and agency businesses ; planning and implementation of marketing strategies and customer services ; summoning and organization of the meetings of the loan review committee and head office loan evaluation team ; formulation of the rules governing syndicated loans ; assistance in the development, evaluation and advisory of syndicated loan business ; supervision and management of ABT branch offices and new business related operations ; and planning and management of reinvestment ventures.
Dept. of Specialized Financing	Planning and execution of government subsidy plans for government agencies administering agricultural affairs ; guidance of the business operations and audit of the business and financial operations of the credit departments of the farmers' and fisheries associations ; financing major agricultural infrastructures ; financing special agriculture cases ; planning, promotion, and implementation of policy-oriented special agricultural loans.
Dept. of General Affairs Management	Arrangement of the meeting schedules of the Board of Directors ; study and deliberation of legal cases ; joint audit of major internal regulations, operating manuals, and contracts ; planning and execution of human resources development, training, and utilization programs ; procurement and management of equipment, building projects, construction and repair projects, and office supplies ; disbursement of miscellaneous and operating expenditures.
Information Management Office	Planning, formulation, and evaluation of computer operations plans ; preparation of the budget allocation for information services ; planning of the security plan for computer and information operations ; design, installation and maintenance of information networks ; implementation and control of computer room operations ; programming, and testing.
Accounting Office	Planning, review and compilation of the annual operating budget and financial forecasts ; preparation and publication of monthly reports, quarterly reports, and accounting and clearing reports ; formulation and amendment of the accounting system and the accounting procedure manuals ; compilation and submission of financial statements and statistics charts ; joint audit, supervision, and joint inspection and acceptance procedures implemented on completed construction projects and procurements.

D. Employees

Year		2012	2013	As of January 31, 2014
Number of employees	Full-time employees	173	184	185
	Contract employees	2	7	6
	Total	175	191	191
Average age		42.03	43.1	42.9
Average years of service		5.68	5.70	5.72
Educational attainment of employees	Doctorate degree	1	1	1
	Master degree	57	62	64
	Bachelor degree	113	124	122
	Senior high school graduate	4	4	4



Corporate Governance Report



A. Directors and Supervisors

December 31, 2013

Title	Name	Date Elected (yy / mm)	Term (YY)	Date of first Appointment (YY / MM)	Prime Experience & Education	Services Concurrently with the Other Company
Chairperson Represented corporate shareholder : Council of Agriculture of the Executive Yuan	C.H. Chen	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	B.A. of Tourism, Chinese Culture University ; Secretary-General of Luchou District Farmers' Association	Chairperson of National Agriculture, Fishery and Finance Information Center
Director Represented corporate shareholder : Council of Agriculture, Executive Yuan	C. Chen	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Master of Public Administration, National Chengchi University ; Legislator of the 5th, 6th, and 7th session of the Legislative Yuan ; the 13th mayor of Changhua City	Chairman of Agricultural Credit Guarantee Fund
Director Represented corporate shareholder : Council of Agriculture, Executive Yuan	S.C. Tsai	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Master of Agricultural Economics, National Taiwan University ; Deputy Director General, Bureau of Agricultural Finance, Council of Agriculture	Deputy Director General, Bureau of Agricultural Finance, Council of Agriculture
Director Represented corporate shareholder : Council of Agriculture, Executive Yuan	J.F. Wu	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Graduate School of Agricultural Economics, National Chung Hsing University ; Technical Specialist of the Executive Yuan	Section Chief of the Economic Energy and Agriculture Department of the Executive Yuan
Managing Director Represented corporate shareholder : Taiwan Provincial Farmers' Association	Y.C. Chang	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Master of Management Science, Nanhua University ; Secretary-General of Taiwan Provincial Farmers' Association	Secretary-General of Taiwan Provincial Farmers' Association ; Chairperson of National Training Institute for Farmers' organizations
Director Represented corporate shareholder : Taiwan Provincial Farmers' Association	C.H. Hsu	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Dept. of General Business Studies, Ching-Chwan Commercial High School ; Secretary-General, Hsin-Chuang District Farmers' Association, New Taipei City	Secretary-General, Hsin-Chuang District Farmers' Association, New Taipei City
Managing Director Represented corporate shareholder : Taiwan Provincial Farmers' Association	Y.C. Lin	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Dept. of Business Studies, Ling Tung Junior College of Commerce ; Secretary-General of Tali District Farmers' Association, Taichung City	Secretary-General of Tali District Farmers' Association, Taichung City
Director Represented corporate shareholder : Taiwan Provincial Farmers' Association	C.Y. Hsiao	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Graduate School of International Business, Asia University ; Secretary-General of Tao-Tun Township Farmers' Association, Nantou County	Secretary-General of Tao-Tun Township Farmers' Association, Nantou County
Director Represented corporate shareholder : Taiwan Provincial Farmers' Association	H.J. Yang	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Department of Mechanical Engineering, Far East College of Technology ; Secretary-General of Tainan Farmers' Association, Tainan City	Secretary-General of Tainan Farmers' Association, Tainan City
Director Represented corporate shareholder : Taiwan Provincial Farmers' Association	L.P. Lu	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Open Business College Affiliated with National Taipei College of Business ; Secretary-General of Ta-Yuan Township Farmers' Association, Taoyuan County	Secretary-General of Ta-Yuan Township Farmers' Association, Taoyuan County

December 31, 2013

Title	Name	Date Elected (yy / mm)	Term (YY)	Date of first Appointment (YY / MM)	Prime Experience & Education	Services Concurrently with the Other Company
Managing Director : Feng-Shan District Farmers' Association, Kaohsiung City	K.N. Ou	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Department of Chemical Engineering, National Chin Yi Institute of Technology; Secretary-General of Feng-Shan District Farmers' Association	Secretary-General of Feng-Shan District Farmers' Association
Director : Yung-Kang District Farmers' Association, Tainan City	W.W. Yang	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Ph.D.in Law, Duke University (U.S.) ; Associate Professor (full-time) Department of Law and School of Law, Kainan University	Associate Professor (full-time) , Department of Law and School of Law, Kainan University ; Chairperson of Hsing Yuan Power Corporation
Director : Yung-Kang District Farmers' Association, Tainan City	H.M. Tsai	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Bachelor of Economics, National Taiwan University ; Executive Officer of Accounting & Statistics Office, Executive Yuan	Assistant Manager of Economic Research Department, Central Bank of the Republic of China (Taiwan)
Director : Yung-Kang District Farmers' Association, Tainan City	C.W. Wan	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Ph.D. Agricultural Economics, University of California ; Professor, Department of Applied Economics, National Chung Hsing University	Professor, Department of Applied Economics, National Chung Hsing University
Director : Yung-Kang District Farmers' Association, Tainan City	C.H. Wang	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Developmental Economics and Agricultural Policy, University of Kassel, Germany ; Associate Professor, Department of Bio-Industry Communications and Development, National Taiwan University	Associate Professor, Department of Bio- Industry Communications and Development, National Taiwan University
Supervisor Represented corporate shareholder : National Training Institute for Farmers' Organizations	C.Y. Lin	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Department of Business Administration, Tamkang University ; Secretary-General of Sanchung District, New Taipei City	Secretary-General of Sanchung District, New Taipei City
Supervisor Represented corporate shareholder : National Training Institute of Farmers' Organization	C.J. Wu	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Department of Management, National Defense University ; Secretary-General of Tainan City Farmers' Association	Secretary-General of Tainan City Farmers' Association
Supervisor (Independent Supervisor)	S.C. Yang	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Master of Accounting, Tamkang University ; Director of the Accounting Office, Council of Agriculture	Director of Accounting Office, Council of Agriculture
Supervisor (Independent Supervisor)	S.C. Lin	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Master of Applied Statistics of Fu Jen Catholic University ; Accounting Director of Academia Sinica ; Senior Executive Officer of Directorate General of Budget, Accounting and Statistics, Executive Yuan	Accountant Officer cum Chief Executive Officer of Directorate General of Budget, Accounting and Statistics, Executive
Supervisor (Independent Supervisor)	C.T. Lin	12/27/2013	12/27/2013 to 12/26/2017	12/27/2013	Graduate School of Management Sciences, Nan Hua University ; Secretary-General, National Fishermen' s Association, R.O.C.	Secretary-General, National Fishermen' s Association, R.O.C.

B. Profiles of Managers

December 31, 2013

Title	Name	Date appointer	Major experience (education)	Position in other companies
(S.V.P. & General Manager, Dept. of Business)	Y.H. Chiou	05/28/2013 (12/28/2012 to 05/28/2013)	B.S. in Banking, Tamkang University ; Auditor, Auditing Office of the Farmers Bank of China	(S.V.P. & General Manager, Dept. of Business)
Vice President	C.N. Shen	05/26/2005	Executive Master of Business Administration (EMBA) , National Chiayi University ; Division Manager, Farmers Bank of China	Vice President
Vice President Concurrently serving as the Director of the Risk Management Office of the Board of Directors	H.M. Yan	09/20/2011 07/26/2013	School of Agricultural Economics, Kyushu University, Japan ; Manager of the Farmers Bank of China	Vice President Concurrently serving as the Director of the Risk Management Office of the Board of Directors
S.V.P. & General Manager, Dept. of Business Management (Associate Manager of the Administrative Management Department)	Y.K. Hung	07/26/2013 (05/03/2011 to 07/25/2013)	School of Statistics, National Chengchi University ; Asst. Manager of the Planning Department, Farmers Bank of China	S.V.P. & General Manager, Dept. of Business Management (Associate Manager of the Administrative Management Department)
Manager of the Administrative Management Department	C.C. Yeh	07/26/2013	Master of Technology Management, Asian Institute of Technology ; Department of Economics, National Taiwan University	Manager of the Administrative Management Department
S.V.P. & General Manager Dept. of Business (S.V.P. & General Manager, Dept. of Specialized Financing)	H.T. Chen	05/03/2011	Credit Program of the Graduate School of International Business Management, Chinese Culture University ; Department of Business, National Open University ; Vice Manager of Review Department, Land Bank of Taiwan	S.V.P. & General Manager Dept. of Business (S.V.P. & General Manager, Dept. of Specialized Financing)
S.V.P. & General Manager, Dept. of Treasure	S.C. Lai	09/17/2008	Bachelor of Business Administration, National Chengchi University ; Senior Asst. Vice President, Taipei Fubon Bank	S.V.P. & General Manager, Dept. of Treasure
S.V.P. & General Manager, Information Management Office	M.S. Chen	05/26/2005	Bachelor of Computer Science, Feng Chia University ; Senior Executive Office of Fuhwa Commercial Bank	S.V.P. & General Manager, Information Management Office
S.V.P. & General Manager, Dept. of Business	Y.L. Chiang	12/27/2013	School of Political Science, Chinese Culture University ; Senior Administrator of the Audit Department, Financial Information Service Co., Ltd.	S.V.P. & General Manager, Dept. of Business
V.P. & General Manager, Dept. of Specialized Financing	C.J. Wen	12/27/2013	Bachelor of Public Finance, National Chung Hsing University ; Asst. Manager, Tatung Branch of the Farmers Bank of China	V.P. & General Manager, Dept. of Specialized Financing
V.P. & General Manager, Department of Trusts	S.H. Hsu	05/20/2010	Graduate school of Agricultural Economics, National Chung Hsing University ; Manager of Hwa Tai Bank ; Manager of the Bank of Panhsin	V.P. & General Manager, Department of Trusts
V.P. & General Manager of the Accounting Office	L.L. Yang	09/20/2011	Bachelor of Accounting, National Chung Hsing University ; Specialist of the Accounting Office of the Farmers Bank of China ; Assistant Vice President of the Agricultural Bank of Taiwan	V.P. & General Manager of the Accounting Office
V.P. & General Manager Office of Taichung Branch	T.Y. Lin	10/12/2012	Master of Insurance, Feng Chia University ; Asst. Manager, Class 1, Fengyuan Branch of the Land Bank of Taiwan	V.P. & General Manager Office of Taichung Branch
V.P. & General Manager Office of Kaohsiung Branch	J.S. Jiang	10/26/2012	Institute of Natural Resources Management, National Taipei University ; Assistant Manager of the Loan Service Center of Ta Chong Bank	V.P. & General Manager Office of Kaohsiung Branch

C. The Practice of Corporate Governance

1. Status of Corporate Governance and Divergences from the “Corporate Governance Practices of the Bank” and the Underlying Factors of its Divergence

December 31, 2013

Item	Status of Operations	Divergences from Corporate Governance Practices of the Banks and the Underlying Reasons of Divergences
1. Equity structure and shareholder' s equity (1) Procedure for processing shareholder suggestions or related disputes (2) ABT' s understanding of the principal shareholders possessing actual control over the bank and the roster of decision-makers with the most controlling power over the principal shareholders (3) Procedure for establishing the risk control system and firewall between ABT and its affiliated corporations	(1) A designated person is appointed to attend to the shareholder suggestions or related disputes. (2) A designated person is appointed to control the roster of major shareholders and decision-makers with the most controlling power over the principal shareholders. (3) The personnel, assets, and financial management procedures between ABT and its affiliated corporations are clear and transparent and are executed in compliance with the related regulations of the internal control system.	None
2. Composition and Responsibility of the Board of Directors (1) Status of Set-up of Independent Directors (2) Regular assessment of the certified public accountant independence	(1) Pursuant to the provisions defined in Article 17 of the Agricultural Finance Act, the number of directors as defined in the ABT Articles of Incorporation shall be elected through the shareholders meeting ; moreover, it is imperative that the Board should contain at least two independent directors comprising at least one-third of the total number of seats in the Board of Directors. (2) ABT retains the services of a certified public accountant (CPA) every year ; selection of the CPA is subject to the approval of the Board of Directors.	None
3. Status of establishing channels for communication with the interest parties	The ABT website has offered the “Customers Opinion Box”, the “Exchange Webpage for Farmers’ and Fisheries Associations”, and the “Liaison Webpage for Farmers’ and Fisheries Associations” to the public for providing a smooth channel through which customers and interest parties may file complaints or institute communication and exchanges.	None
4. Disclosure of information (1) Status of construction of the ABT website for disclosure of information concerning the financial operations and corporate governance of ABT (2) Other methods of information disclosure : construction of an English webpage, designation of a specific person in charge to attend to information collection and disclosure, implementation of the spokesperson system, posting of the investor conference on the ABT website.	(1) The Bank’ s website is http : //www.agribank.com.tw . The Bank has appointed a dedicated crew to regularly maintain the website and post essential financial, business and corporate governance related information on the “Open Disclosure” page of the Bank’ s website within the required deadline (including information on the corporate governance structure and rules, equity structure, organizational structure and independence of the board of directors, responsibilities of board of directors and management executives, composition, responsibilities and independence of the supervisors, further educational pursuits of directors and supervisors, remunerations of directors and supervisors, loan-related information of interest parties, and disclosure of the capital adequacy status of the bank on the “Disclosure of Required Information” and the “Capital Adequacy and Risk Management” pages of the ABT website) , and other significant events and information subject to open disclosure by law. (2) Information on annual reports, financial positions and operations, and other significant information of the ABT disclosure of which is required by law is available in the ABT website. In addition, to ensure the accuracy and time efficiency of all posted significant information, ABT appointed a spokesperson and a deputy spokesperson to represent the ABT in press and public relations related matters.	None
5. Operating status of the bank’ s establishment of committees attending to nomination, remunerations or compensation, or other functional committees	To date, ABT has not established a committee to attend to remunerations or compensations or any other functional committee.	ABT may plan establishment of dedicated functional committees pursuant to the developmental requirements of the bank.

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(6) Please specify the status of ABT corporate governance operations and inconsistency of existing operations with the "Corporate Governance Practice of the Bank" and reasons for inconsistency :
Regarding ABT corporate governance operations and the inconsistency of existing operations with the "Corporate Governance Practice of the Bank", please refer to the items 1 ~ 5.

(7) Other important information fostering an understanding of the status of corporate governance operations (e.g. employee benefits, employee welfare, investor relations, rights of interest parties, further education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies acquired by ABT for its directors and supervisors, etc.)

- a. In line with promulgated government policies, all policy-oriented special agricultural loans of ABT are created to aid the sound development of the credit departments of farmers' and fisheries associations, thereby fostering the prosperous development of the agricultural economics. In the future, the Bank will actively participate in public welfare activities, pay more attention to community affairs, and pay a serious regard to its social responsibilities, as well as endeavor to realize the corporate commitment of "giving back to the society from which one has benefited."
- b. Further studies of directors and supervisors : Pursuant to the educational intent presented by ABT directors and supervisors, the ABT processed the registration for their respective further study applications on their behalf.

Name of Director/Supervisor	Training Institution	Training Hour (s)	Name of Director / Supervisor	Training Institution	Training Hour (s)
C.H. Chen	Council of Agriculture, Executive Yuan	21	W.W. Yang	-	0
C. Chen	NTU School of Professional and Continuing Studies	24	H.M. Tsai	Taiwan Academy of Banking and Finance, Central Bank of the Republic of China (Taiwan)	15
C.M. Hsu	-	0	C.W. Wan	-	0
J.F. Wu	Directorate-General of Personnel Administration of Executive Yuan, Civil Service Development Institute, National Academy of Civil Service	18	C.H. Wang	-	0
Y.C. Chang	Council of Agriculture of Executive Yuan, Securities & Futures Institute	24	C.Y. Lin	National Training Organization for Farmers' Organizations	21
C.H. Hsu	Seminar on Labor Standards Act and Personal Information Protection Act National Training Organization for Farmers' Organizations	26	C.J. Wu	-	-
Y.C. Lin	National Training Organization for Farmers' Organizations	32	S.C. Yang	Council of Agriculture, Executive Yuan	61
C.Y. Hsiao	Council of Agriculture of Executive Yuan, Taiwan Academy of Banking and Finance, National Training Organization for Farmers' Organizations	40	S.C. Lin	Civil Service Development Institute of the Directorate-General of Personnel Administration, Executive Yuan	126
H.J. Yang	Securities & Futures Institute, National Training Organization for Farmers' Organizations	33	C.T. Lin	Council of Agriculture of Executive Yuan, National Fishermen's Association, R.O.C.	37
L.P. Lu	National Training Organization for Farmers' Organizations, Ta-Yuan Township Farmers' Association	45	-	-	-
C.C. Yu	-	0	-	-	-

- c. Attendance of directors and supervisors in the Board of Directors Meetings : The directors and supervisors of the board have attended the board of directors meeting in accordance with the Rules and Procedures of Board of Directors Meeting ; attending directors and supervisors sign the meeting registration logbook to attest their presence in the meeting.
- d. Implementation of risk management policies and risk assessment standards : The Bank has defined a comprehensive risk management policy to regulate the credit risk, market risk, and operational risk management procedures.
- e. Implementation of consumer protection and customer service policies : The Bank has formulated the Consumer Protection Self-Evaluation Form to enhance the implementation of the consumer protection related operations and to periodically examine implementation of business operating procedures, thereby ensuring their compliance with the Consumer Protection Act and related regulations.
- f. Recusal of directors from situations manifesting conflict of interests : On projects or endeavors where directors had conflicting interests with ABT, the director concerned had recused himself / herself from the deliberation and decision-making procedures of the Board.
- g. Acquisition of liability insurance policies for directors and supervisors : No liability insurance policy for any ABT director or supervisor has been obtained.

(8) Where a corporate governance self-evaluation report has been prepared or services of a professional institution has been commissioned for the preparation of a corporate governance assessment report, said report shall contain a detailed account of the self-evaluation (or outsourcing assessment) results, primary deficiencies (or suggestions) , and the pertinent corrective actions implemented : No corporate governance self-evaluation report has been prepared or published.

2. Fulfillment of Social Responsibilities

Item	Status
<p>1. Implementation of Corporate Governance</p> <p>(1) The status of the bank's establishment of corporate policies for fulfilling social responsibilities, as well as the review of the implementation results.</p> <p>(2) Operation status of the dedicated (non-dedicated) department established by the bank to take charge of the implementation of social responsibilities.</p> <p>(3) Status and progress of the corporate ethics education and training courses regularly held by the bank for its directors of the board, supervisors, and employees, as well as integrating these courses with its employee performance evaluation system and establishing definite and effective reward and punishment system.</p>	<p>(1) ABT has not yet defined its social responsibility strategies or system.</p> <p>(2) ABT has not yet established a dedicated (non-dedicated) department for fulfilling corporate social responsibilities.</p> <p>(3) ABT arranges various internal and external educational training courses for its directors of the board, supervisors, and employees; courses for the directors of the board and supervisors are mainly corporate governance oriented. Moreover, the employees' educational training program is incorporated into the ABT's "Personnel Promotion Evaluation & Performance Rating Standard List." In addition, ABT has already established the "Personnel Performance Assessment Guidelines" in order to implement definite a reward and punishment system.</p>
<p>2. Developing a Sustainable Environment</p> <p>(1) Status of the bank's efforts in enhancement of the resource utilization efficiency, as well as use of reclaimed materials having lower impact on the environment.</p> <p>(2) Status of the bank's establishment of proper environmental management system based on the industry characteristics.</p> <p>(3) Status of establishment of a dedicated environment management division or designation of personnel to maintain the environment.</p> <p>(4) Status of the bank's establishment of energy saving, carbon and greenhouse gas reduction strategies after considering the impact of climate change on the operating activities.</p>	<p>(1) ABT has properly implemented the waste sorting system which sorts the wastes into ordinary garbage, recyclable paper, PET bottles, iron and aluminum cans, disposable paper cup, and retort pouch, thereby facilitating resource recycling and reuse and reducing the impact on the environmental load.</p> <p>(2) ABT has not yet defined the environment management system.</p> <p>(3) ABT has not yet established a dedicated division or designated personnel to conduct environmental management.</p> <p>(4) ABT company is part of the agricultural system, and has responsibilities to support the government policies and implement energy-saving and carbon-reduction activities. Moreover, ABT shall fulfill its corporate social responsibilities and implement related measures, such as power saving, water saving, paper saving, fuel saving, and other individual related things.</p>
<p>3. Maintenance of Social Welfare</p> <p>(1) Status of the bank's compliance with the labor laws and regulations, protection of employees' legal interests, and establishment of proper management method and procedures.</p> <p>(2) Status of creating a safe and healthy work environment for employees and regularly providing the safety and health education program for employees.</p> <p>(3) Status of the bank's establishment and publication of its policies of consumer rights and interests and provision of transparent and effective consumer complaint procedures for its products and services.</p> <p>(4) Status of the joint efforts of the bank and its suppliers in enhancing the social responsibility fulfillment.</p> <p>(5) Status of the bank's participation in community development and charity activities through commercial events, in-kind donation, corporate volunteer worker service, or other free professional services.</p>	<p>(1) ABT complies with relative labor laws & regulations and establishes its work regulations which are implemented following the review and approval of the competent authorities. Moreover, ABT convenes a labor-management conference every three months to protect the legal rights and interests of employees.</p> <p>(2) In addition to providing employees with a safe and healthy work environment, ABT provides employees with regular labor safety and health training courses every two years.</p> <p>(3) ABT's website provides the "Customer Feedback" and "Customer Complaint Section" with an aim to effectively respond to customers' feedbacks, shortly attend to the customer complaints, and enhance the ABT's service quality.</p> <p>(4) N/A</p> <p>(5) ABT will actively participate in charitable events and contribute to the community. ABT takes its social responsibilities seriously and adheres to the commitment of "Whatever you take from the society; use them for the society."</p>
<p>4. Strengthening of Information Disclosure</p> <p>(1) Methods taken by the bank for disclosing reliable related information of its corporate social responsibilities.</p> <p>(2) Status of the bank's preparation of corporate social responsibility reports to disclose its efforts in fulfilling the corporate social responsibilities.</p>	<p>(1) ABT periodically discloses related and reliable information pertaining to its fulfillment of social responsibilities in the "Legal Disclosures" section of ABT's website.</p> <p>(2) ABT has not yet produced the corporate social responsibility reports.</p>
<p>5. Where the bank has defined its corporate social responsibility guidelines pursuant to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any discrepancies between the actual operations and guidelines : ABT is not a publically listed bank, therefore ; hence, there's no need to provide the " discrepancy status and underlying causes of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies."</p>	
<p>6. Other important information which may help understanding the fulfillment status of the corporate social responsibility (such as, the systems, measures and implementation status of the bank in terms of environmental protection, community participation, social contribution, community and social service, social welfare, rights and interests of consumers, human rights, safety and health, as well as other social responsibilities) :</p> <p>(I) ABT complies with the government policies to implement various policy-based agricultural loan program and provide guidance to the credit departments of farmers' and fisheries associations for their sound development, thereby enhancing the agricultural economic prosperity. ABT will actively participate in charitable activities, concern for the community, and take our social responsibilities seriously, thereby fulfilling our corporate commitment of "Whatever you take from the society; use them for the society."</p> <p>(II) ABT has established a "Consumer Protection Efficiency Self-Evaluation Table" to strengthen the implementation of ABT's consumer protection policies. Also, ABT periodically reviews the compliance of the bank's business operation with the Consumer Protection Act and related regulations.</p>	
<p>7. If ABT's products or corporate social responsibility reports have met certification standards of related certification bodies, detailed description should be provided : ABT has not yet produced any corporate social responsibility reports.</p>	

3. Measures to ensure the bank operates in good faith and their results :

December 31, 2013

Item	Implementation Status
<p>1. Establishment of the Ethical Corporate Management Policies and Guidelines</p> <p>(1) The ethical corporate management policies expressly stated in the bank's regulations and external documents ; the commitment made by the board of directors and the management to ensure the aggressive implementation.</p> <p>(2) The measures established by the bank to prevent dishonest behavior, the standard operational procedures, the behavior guidelines, and the educational training courses.</p> <p>(3) The measures taken by the bank to avoid conducting bribes, taking bribes, and providing illegal political contributions for business activities with relatively high risks of dishonest behavior when defining the policies to prevent dishonest behaviors.</p>	<p>(1) ABT's chairman, general manager, chief auditor, and managers in charge of ensuring regulatory compliance have signed the internal control system statements, which are posted on our website, stating that ABT indeed complies with the regulations governing the internal control policies pertaining to financial holdings companies and banking industry.</p> <p>(2) In order to prevent dishonest behavior, we define the ethical conduct regulations and all employees shall strictly abide by the regulations. In addition, ABT's Work Rule also defines that all employees shall strictly comply with the banking regulations and other related laws, and strictly keep ABT's and customer's information confidential.</p> <p>(3) In the pre-job training courses provided to the newly recruited employees, we have dedicated lecturers to explain the professional ethics of the financial industry, integrity principles and related internal and external regulations, thereby strengthening their understanding of our "integrity" principles.</p>
<p>2. Implementation of Ethical Corporate Management Policies</p> <p>(1) Descriptions of the bank's efforts to avoid conducting transactions with entities or individuals who have a record of dishonest behavior in the course of the bank's commercial banking operations and the bank's inclusion of the provisions pertaining to the integrity and honest behavior into the commercial contracts.</p> <p>(2) Descriptions of the bank's establishment of a dedicated department or designation of a department to promote the business integrity and honest behavior and the supervision work of the Board of Directors.</p> <p>(3) Descriptions of the bank's establishment of policies to prevent conflicts of interest and provision of adequate channels for communicating issues.</p> <p>(4) Descriptions of the bank's establishment of an effective accounting system to implement the ethical corporate management policies, the internal control system, and the auditing work of the internal auditing personnel.</p>	<p>(1) ABT should attend the business transactions and procurement operations in accordance with required procedures, and avoid doing business with entities or individuals with records of dishonest behavior.</p> <p>(2) ABT shall enhance the procurement personnel's awareness of ethics and business conduct ; moreover, job responsibilities of the procurement personnel shall be adjusted from time to time when necessary. Also, it's required to compare prices offered by different vendors during procurement.</p> <p>(3) ABT shall provide employees with channels for communicating with supervisors and quarterly convene a labor-management meeting to serve as a channel of communication.</p> <p>(4) ABT's accounting system is established pursuant to the Agricultural Finance Act, the Banking Act, the Securities and Exchange Act, the Company Act, the Business Accounting Act, the Standards for the Preparation of Financial Statements of Public Issuing Banks, as well as the International Financial Reporting Standards, International Accounting Standards, interpretations and interpretation announcements ratified by the Financial Supervisory Commission.</p> <p>(5) ABT's establishment of the internal control system fully complies with the "Internal Control and Auditing Systems of the Financial Holdings Company and Banking Industry" and duly audited by the Audit Office of the Board of Directors.</p>
<p>3. Status of the bank's establishment of the violation reporting channels and the disciplinary and complaint system for violations of the ethical corporate management policies.</p>	<p>(1) ABT has defined the reward and punishment rules and established a Personnel Evaluation Committee through which ABT and the employee representatives jointly evaluate the reward and punishment matters of the employees ; letters shall be issued to notify all employees of the reward and punishment decisions</p> <p>(2) In accordance with the corporate governance related regulations, channels shall be provided to facilitate the communication between employees and supervisors, and a quarterly labor-management meeting shall be held to serve as a channel for communication.</p>
<p>4. Enhancement of Information Disclosure</p> <p>(1) Status of the bank's construction of a website to disclose information pertaining to the ethical corporate management policies</p> <p>(2) Other information disclosure methods employed by the bank, such as, construction of an English website, designation of dedicated personnel to collect and disclose the company information, and upload of the disclosed information to the company website, etc.) .</p>	<p>ABT's internal control system statement, significant financial and business operation information, etc. are all disclosed on the ABT's website pursuant to the related laws and regulations.</p>
<p>5. If the bank has established its own ethical corporate management policies pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any discrepancies between the set principles and the bank's actual operations : ABT is not a TWSE/GTSM-listed bank, and therefore is not required to provide the "status and causes of discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".</p>	
<p>6. Other important information which is helpful for understanding the bank's implementation of the ethical corporate management policies (such as, showing determination to implement ethical corporate management policies to its business partners, inviting business partners to participate in educational training program, and reviewing and amending the ethical corporate management policies of the bank) : none.</p>	

4. Status of the Implementation of the Internal Control System

(1) Internal Control System Implementation Status Statement of the Agricultural Bank of Taiwan

On behalf of the Agricultural Bank of Taiwan, we hereby certify that from January 1, 2013 to December 31, 2013, the Bank has duly complied with the "Implementation Rules for the Internal Control and Internal Audit Systems of Financing Holding Companies and Banks" in establishing the internal control system and implementing the risk management procedures. The Bank has been audited by the independent auditors who regularly submit reports to the Boards of Directors and Supervisors (The Bank also engages in the securities business, and has conducted evaluation of the effectiveness of the design and implementation of its internal control system in accordance with the criteria described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau, Financial Supervisory Commission) . After prudent evaluation, the Bank's each department has implemented effective internal control and complied with related laws and regulations during the year to which this statement relates. (This Statement is a major part of the Bank's annual report and will be disclosed to the public. For any false statement or any act of concealment, the Bank shall be subject to the penalty of perjury of Articles 20, 32, 171 and 174 of the Securities Exchange Law.)

To : Council of Agriculture, Executive Yuan

Chairperson : C.H. Chen



(authorized signature)

President : Y.H. Chiou



(authorized signature)

Chief Auditor : Y.K. Hung



(authorized signature)

Compliance Officer : C.N. Shen



(authorized signature)

March 5, 2014

(2) CPA Audit Report



安侯建業聯合會計師事務所

KPMG

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The Board of Directors

Agricultural Bank of Taiwan, Ltd.

We conducted our audits in accordance with the first paragraph of Article 28 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, promulgated by the Financial Supervisory Commission, Executive Yuan, Republic of China. It states that "If the annual financial report of a banking business is audited and certified by an accountant, the business should also delegate the accountant to conduct an audit on its internal control system. The accountant should also comment on the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, and the appropriateness of policies for loan loss reserves."

Chung Dan-Dan, Certified Public Accountant, KPMG Taiwan, has been delegated by the Agricultural Bank of Taiwan, Ltd. to conduct the audit affairs as mentioned above, and has submitted the report which has entailed the range, basis, procedure, and results of the audit as required by the first paragraph of Article 30 of the same law.

This report is for ABT' s reference only. No other purpose or any other third parties are permitted to have this report, except the competent authorities.

To : Agricultural Bank of Taiwan

KPMG Taiwan

CPA : Chung Dan-Dan



March 18, 2014



Capital Structure



A. Sources of Equity Capital

1. Status of Corporate Governance and Divergences from the “Corporate Governance Practices of the Bank” and the Underlying Factors of its Divergence

December 31, 2013

Unit : in 1,000 shares ; in NTD Thousand

Year / month	Issue price	Authorized Capital		Paid-in Capital		Remarks	
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Others
April 2005	10	2,000,000	20,000,000	2,000,000	20,000,000	Cash	None
July 2007	10	2,011,154	20,111,536	2,011,154	20,111,536	A resolution passed in the shareholders meeting held on 06/27/2007 approved the conversion of retained earnings to capital.	The company establishment registration is approved by the Ministry of Economic Affairs by the letter no. Ching-shou-shang-tzu-ti-09401062340 dated April 19, 2005.
July 2009	10	1,000,000	10,000,000	1,000,000	10,000,000	A resolution passed in the shareholders meeting held on 06/29/2009 approved a reduction of capital.	The change registration is approved by the Ministry of Economic Affairs by the letter no. Ching-shou-shang-tzu-ti-09601192630 dated August 16, 2007.
December 2009	10	2,000,000	20,000,000	2,000,000	20,000,000	A resolution passed in the shareholders meeting held on 06/29/2009 approved a capital increase.	The change registration is approved by the Ministry of Economic Affairs by the letter no. Ching-shou-shang-tzu-ti-09801290140 dated December 18, 2009.
July 2010	10	2,008,014	20,080,139	2,008,014	20,080,139	A resolution passed in the shareholders meeting held on 06/24/2010 approved the conversion of retained earnings to capital.	Registration amendment application was approved through the MOEA Letter no. Ching-shou-shang-tzu-ti-09901194320 dated 08/27/2010.
July 2011	10	2,024,428	20,244,280	2,024,428	20,244,280	A resolution passed in the shareholders meeting held on 06/29/2011 approved the conversion of retained earnings to capital.	The change registration is approved by the Ministry of Economic Affairs by the letter no. Ching-shou-shang-tzu-ti-0991194320 dated August 27, 2010.
July 2012	10	2,040,126	20,401,256	2,040,126	20,401,256	A resolution passed in the shareholders meeting held on 06/29/2012 approved the conversion of retained earnings to capital.	10001206180 The change registration is approved by the Ministry of Economic Affairs by the letter no. shou-shang-tzu-ti-10001206180 dated September 6, 2011.
December 2013	10	3,000,000	30,000,000	2,048,405	20,484,054	-	A resolution was passed in the interim shareholders' meeting on Dec. 27, 2013 to change the company capital to 30 billion NTD.

December 31, 2013

Unit : share

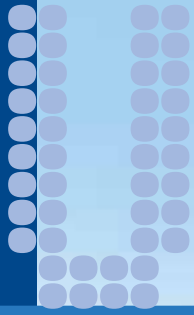
Types of stock	Authorized Capital			Remarks
	Outstanding Shares	Unissued shares	Total	
Common Stock	1,598,405,400	951,594,600	2,550,000,000	Non-listed or OTC stock
Class A Preferred Stock	450,000,000	-	450,000,000	Non-listed or OTC stock

B. List of Major Shareholders

December 31, 2013

Unit : Share ; %

Shareholder	Shareholding	Shares held	Percentage
Council of Agriculture, Executive Yuan		917,794,166 shares	44.8%
National Farmer's Association, R.O.C. (including the Supply and Marketing Department)		78,163,622 shares	3.82%
Agricultural Credit Guarantee Fund		67,200,591 shares	3.28%
Tou-Nan Township Farmers' Association, Yunlin County		35,699,734 shares	1.74%
Shulin District Farmers' Association, New Taipei City		33,312,519 shares	1.63%
Panchiao District Farmers' Association, New Taipei City		24,337,011 shares	1.19%
Yung-Kang District Farmers' Association, Tainan City		22,073,255 shares	1.08%
Hsin-Chuang District Farmers' Association, New Taipei City		20,676,148 shares	1.01%
San-Chung District Farmers' Association, New Taipei City		19,453,493 shares	0.95%
Tali District Farmers' Association, Taichung City		17,666,909 shares	0.86%



Status of Operation



A. Principal Business

1. Financing major agricultural infrastructures.
2. Financing special agriculture case by the government.
3. Financing agriculture, forestry, fishery and livestock industries that are in line with policies of agriculture and fishery associations.
4. All operations mentioned in all paragraphs of Article 71 in Banking Law.
5. Other operations authorized by the central authorities.
6. Foreign exchange transaction authorized by the Central Bank.

B. Guidance, Audit, Performance Evaluation and Agricultural Loan Offerings to Credit Departments of the Farmers' and Fisheries Associations

1. **General guidance services** : The guidance service on the following matters is provided to the credit departments posting a NPL ratio lower than 15% :
 - (1) Definition of regulations governing business operations ; formulation of essential management systems and cost concepts for the enhancement of the establishment' s operating performances.
 - (2) Establishment of the internal control and internal audit systems.
 - (3) Appropriation of deposit reserve and liquidity reserve.
 - (4) Re-disposition of surplus and provision of financing.
 - (5) Financing agriculture, forestry, fishery and livestock industries and consumer loans.
 - (6) Processing of financial instrument exchange and fund remittances.
 - (7) Processing of payment collection and disbursement payment for the national treasury and other financial institutions.
 - (8) Implementation of corrective measures for deficiencies discovered during bank audit procedures.
 - (9) Procedures for the reinforcement of the financial structure and upgrading of asset quality.
 - (10) Processing of nonperforming loans and the collection of overdue accounts.
 - (11) Institution of accounting, banking, and worksheet and report preparation procedures.
 - (12) Creation of standardized forms and information systems for the enhancement of data sharing and statistical analysis.
 - (13) Compilation of information updates on the business operations of the agricultural financial institutions and analysis of the fund requirements and rational allocation of resources in agricultural operations.
 - (14) Employee training and introduction of new business.
 - (15) Consultation service on related laws and regulations.
 - (16) Other guidance related matters designated by the central competent authority.
2. **Project Guidance Service** : Service is provided to the credit departments having a NPL ratio exceeding 15% in an effort to assist these credit departments to reduce the NPL ratio. In addition to the matters covered by the general guidance services, the project guidance service also caters to the following matters :
 - (1) Monitoring of the directions of business operations and provision of improvement advices.
 - (2) Monitoring of deficiencies in business and financial operations and provision of improvement advices.

- (3) Supervision of and guidance on the creditor's rights.
- (4) Supervision of and guidance on the internal control and the internal audit systems.
- (5) Supervision of and guidance on appropriations of allowances for possible losses or write-off of amounts as bad debts.
- (6) Supervision of and guidance on banking and accounting procedures and the preparation of financial statements.
- (7) Supervision of and guidance on asset acquisition and disposition matters.
- (8) Supervision of and guidance on the review procedures of loans and investment projects and the management of assets and liabilities.
- (9) Attendance of meetings of the Boards of Directors and Supervisors and meetings of the loan review committee, and presenting opinions on meeting issues.
- (10) Imposing a deadline on the farmers' and fisheries associations to which the credit departments placed under restructuring belong for the presentation of their operating performance reports, financial positions, and other related financial reports.
- (11) Audit examination of related account books, documents and assets.
- (12) Other matters designated by the competent authorities.

3. Audit Examination of Business and Financial Operations :

In 2013, ABT has conducted 521 audit procedures on the business operations and financial status of the credit departments of farmers' and fisheries associations. The primary objective of the audit procedure was to determine whether corrective actions have been taken on the deficiencies discovered in the examination procedure and understand circumstances of the corrective actions. Audit reports were included in the quarterly financial reports forwarded to the competent authorities and related agencies. Moreover, audit procedures on the liquid assets had been implemented in compliance with the notices or requests of the respective local competent authorities.

4. Performance Evaluation :

Performance evaluation procedures were conducted on the credit departments of farmers' and fisheries associations pursuant to the Performance Evaluation Indicators and Standards for the Credit Departments of Farmers' and Fisheries Associations on the following six categories : capital adequacy, asset quality, internal management competence, profitability, liquidity, and growth. Evaluation findings were submitted to the information of the respective competent authorities and related agencies.

5. Other matters of guidance services :

- (1) In cooperation with 227 credit departments and their subordinate 284 business offices, we started handling Renminbi bills trading operations in July 2011 for the convenience of residents of Taiwan and China and to aid the sales of local farm and fishery products. As of the end of December, a total of 217 credit departments provide the exchange service of Renminbi bills, with 1,991 purchase transactions (9,996,000 RMB) and 7,169 sale transactions (40,140,000 RMB), bringing a total transaction volume to 50,136,000 RMB. This provides local residents with diverse financial services and raises the income on the service fees of the credit departments of farmers' & fisheries associations.
- (2) For assisting in sponsoring the 7th Agricultural Golden Award of the Council of Agriculture, ABT actively took part in the preliminary planning meetings and the task force and review committee meetings, provided assistance in the study and amendment of operating procedures and assessment standards, and provided the guidance to the credit departments in filing their registrations. We also held an awarding ceremony and published a feature article of the award winners.

- (3) We provided counseling service to credit departments to handle the consolidated fund loan services commissioned by the Council of Indigenous Peoples and to expand the range of business operations. In 2013, there were ten more farmers' associations participating in the program, namely, the Taimali Farmers' Association of Taitung County, the Chang-Pin Township Farmers' Association of Taitung County, the Kuan-Hsi Township Farmers' Association of Hsinchu County, the Man-Chou Township Farmers' Association of Pingtung County, the Taitung Area Farmers' Association of Taitung County, the Tung-Ho Township Farmers' Association of Taitung County, the Chi-An Township Farmers' Association of Hualien County, the Hsin-Yi Township Farmers' Association of Nantou County, the Jen-Ai Township Farmers' Association of Nantou County, and the Fu-Hsing Township Farmers' Association of Taoyuan County.
- (4) ABT served as the liaison window for the "preliminary negotiation talks of the Consumer Debt Clearance Regulations" between the credit departments and the banks and participated in the Consumer Debt Clearance Regulations Preliminary Negotiation Coordination Meeting of the Bankers Association of the R.O.C.
- (5) ABT compiled the "2012 Annual Business Operations Analysis of the Credit Departments of Nationwide Farmers' & Fisheries Associations." Copies were forwarded to the competent central authorities and related banking supervisory authorities (bodies) for reference information.
- (6) Business Liaison and Exchanges :
 - a. ABT held a total of 60 counseling office service review meetings in 2013. The participating counselors jointly discussed situations encountered during the counseling work and exchanged ideas on the subject ; related matters were reported to the information of the competent central authorities. Furthermore, in January and June of 2013, we hosted two counseling service seminars together with the competent central authority. The counseling work related information relayed and ideas exchanged in the seminar served as reference information for future administration or supervisory procedures.
 - b. Regarding the training program provided to the credit department employees in 2013, a total of 30 seminars were held and attended by 2,659 persons, such as, "Seminar on the Internal Control of the Credit Departments of the Farmers' and Fisheries Associations," the "Seminar on the Elementary Credit Investigation Regulations and Practice of the Credit Departments of the Farmers' and Fisheries Associations," the "Secretary-General Forum for the Farmers' and Fisheries Associations," the "Seminar on the Syndicated Loans Business," the "Seminar on the Internal Control, Internal Auditing and the Commonly Seen Errors of Agricultural Loan Project of the Credit Department and the Auditing Operations Manual Revisions," the "Corporate Credit Investigation and Loan Practical Course," as well as the "Trust Business Seminar."
 - c. In 2013, we assisted the National Farmer' s Association of the R.O.C. in accepting 50 guests from the All China Federation of Supply and Marketing Cooperatives, the Tianjin Supply and Marketing Cooperatives, and the Shandong Province Supply and Marketing Cooperatives, which is a great help to strengthen ABT' s relationship with various parties.
- (7) Policy-oriented Special Agricultural Loans :
 - a. In 2013, ABT processed dozens of written request and inquiry calls from farmers. In addition to helping farmers who are unable to pay the loan amortizations on schedule due to difficulties encountered in their operations process loan extension or moratorium applications, thus enabling them to solve their operating problems. ABT also proactively negotiated with borrowers for the resolution of loan application processing related disputes, thereby enabling farmers and fishermen to obtain the funds needed for their operations.
 - b. ABT appointed guiding officers to attend the various local agricultural operations related seminars, lectures, or training programs ; such as, agricultural improvement stations, agricultural research institutes, sales and marketing seminars, employee training for farmers' and fisheries associations, etc. The seminars provided information and explanation of the agricultural policies of the government, thereby enabling fishermen and farmer organizations to understand the policies and to cooperate with the government in implementing matters and to achieve the objectives and the desired results of the policies.

C. Ratio of Business Assets and Earnings against Total Assets and / or Revenues and their Respective Change and Development Trends

1. Ratio of operating revenues against total revenues and trend of changes

Unit in NTD Thousand

Title	2013		2012	
	Amount	Percentage %	Amount	Percentage %
Total Revenue	12,759,078	100.00	12,155,346	100.00
Interest income	10,145,364	79.52	9,397,629	77.31
Service Fee	146,820	1.15	117,412	0.97
Gain on financial assets and liabilities at fair value through profit and loss	158,579	1.24	1,478,061	12.16
Realized gain on held-to-maturity financial assets	315,147	2.47	261,147	2.15
Gain on Foreign Exchange	1,951,127	15.29	777,106	6.39
Gain on Reversal of Impairment Loss	7,512	0.06	-	-
Other non-interest gains (loss) , net	34,529	0.27	123,991	1.02

Underlying factors of changes :

- (1) The interest income was increased, as compared to that of the previous year, which is primarily due to increase in interest earnings from loans and investments in securities.
- (2) The gain on financial assets and liabilities at fair value through profit and loss decreased, as compared to that of the previous year ; the main reason is that a decrease is noted in the gain on disposal of financial assets at fair value through profit or loss.
- (3) An increase in realized gain on available-for-sale financial assets posted this year against the previous year total is a result of the reduction in the gain on the sale value of financial assets.
- (4) An increase in the gain on foreign exchange posted this year against the previous year total is a result of the foreign exchange rate fluctuations experienced in the year.
- (5) For others, a decrease is noted comparing with that of the previous year ; the underlying cause is that the gain on the non-active market debt instruments decreases.

2. Business Ratio

(1) Distribution of deposits

Unit in NTD Thousand

Title	2013		2012	
	Amount	Percentage %	Amount	Percentage %
Total deposits	672,803,626	100.00	653,594,572	100.00
Current deposits	5,757,659	0.86	3,224,541	0.49
Time deposits	667,045,967	99.14	650,370,031	99.51

(2) Ratio of loans

Unit in NTD Thousand

Title	2013		2012	
	Amount	Percentage %	Amount	Percentage %
Total loans	221,126,221	100.00 %	194,760,469	100.00 %
Short-term loans	32,951,569	14.90 %	32,610,037	16.74 %
Medium-term loan	159,248,596	72.02 %	137,596,623	70.65 %
Long-term loans	26,720,029	12.08 %	23,526,791	12.08 %
Delinquent loans	2,206,027	1.00 %	1,027,018	0.53 %

(3) Ratio of major business assets against total assets

Unit in NTD Thousand

Title	2013.12.31		2012.12.31	
	Amount	Percentage %	Amount	Percentage %
Total assets	769,861,239	100.00	733,624,380	100.00
Cash and cash equivalents	405,461	0.05	1,461,718	0.20
Due from The Central Bank and other banks	359,172,947	46.65	366,870,741	50.01
Financial assets at fair value through income statement	9,110,294	1.18	13,360,086	1.82
Discounts and loans, net	218,120,983	28.33	192,472,198	26.24
Available-for-sale financial assets	127,526,261	16.57	119,244,471	16.25
Held-to-maturity financial assets	32,700,348	4.25	25,899,169	3.53
Other financial assets	18,627,516	2.42	10,274,298	1.40
Others	4,197,429	0.55	4,041,699	0.55

D. Market Analysis

1. Area of operations

The Agricultural Bank of Taiwan is the only officially authorized banking institution in the country that simultaneously functions as a professional agricultural bank and a commercial bank. Although the bank has opened only one branch bank in the country to date, it has established a province-wide agricultural loan service network through links with around 1,169 credit departments of farmers' and fisheries associations established in various localities, thereby enabling the bank to implement the policy of the financial support to the agricultural industry and to assist in fostering the stable development of the agricultural economy.

2. Future market supply-demand status and development

The domestic financial market is still in oversupply of banks ; hence competition between banks has been quite stiff. To further aggravate the tension, banks could not look forward to the improvement of the low interest rate difference in the banking sector for the near future and thus, profit margins of banks would continue to be compressed. ABT accepts redeposits from the farmers' and fisheries associations and faces a huge pressure created by the massive funds redeposited into ABT. In addition to the financial operations under the principal guaranteed principle to activate the fund utilization, ABT also endeavored to spur the loan businesses. Furthermore, ABT provided the policy-oriented agricultural, forestry, fishery, and livestock farming loans, and aggressively participated in the syndicated loan programs of other banking institutions. As regards the syndicated loan referrals of the credit departments of the farmers' & fisheries associations, although our loan operations merely constitute a small slice of the loan market pie, after the establishment of our two branch banks, we look forward to some significant growth in our loan operations, and the redeposits we receive from the credit departments of the farmers' & fisheries associations shall be used for the loan operations. The interest revenues shall likewise constitute a principal revenue source for the bank.

3. Factors beneficial and detrimental to future development outlook and countermeasures implemented

(1) Beneficial factors

- a. The government and the farmers' and fisheries associations are the major shareholders of ABT.
The government holds 44.8% shares of the bank, and bank operations have been highly stable.
- b. The main official line of business of ABT include financing the major agricultural infrastructures, financing special agriculture cases by the government, and financing agriculture, forestry, fishery and livestock industries that are in line with policies of agriculture and fishery associations, thus clearly defining the market segregation of ABT. Hence, ABT has more opportunity than other banks in obtaining a greater slice of the agricultural loans pie.
- c. ABT has consolidated the business of credit department of farmers' and fisheries associations, and thus, we may fully utilize their branch offices and human resources to expand the business transactions and channels of our new financial instruments for better combined results, thereby creating an important foundation for the future development of our business operations.
- d. ABT is licensed to accept the massive fund deposits of the credit departments of farmers' and fisheries associations ; hence, it holds a vast, highly liquid capital resource.
- e. ABT distinguishes itself from other banks in the sense that it is a comprehensive and policy-implementing agricultural bank ; that is, an agricultural bank and a commercial bank in one comprehensive system.

(2) Unfavorable Factors

- a. Re-deposits accepted from the credit departments of farmers' and fisheries associations are massive ; thus, ABT faces the pressure of the interest burdens of these deposits.
- b. Corporations are used to directly soliciting capital through domestic and foreign loans ; since
- c. ABT only maintains one place of business, it is difficult to expand the range of ABT loan services.
- d. Financial holding corporations hold the advantage of a comprehensive financial instrument range and services, thereby creating a financing environment that caters to all financial requirements in one setting. This advantage is posing a serious threat to banks operating outside the umbrella of holding corporations.
- e. Under an environment of rapidly escalating market risks and surplus money supply, financial instruments offering earnings higher than capital cost and stable returns are rather limited.
- f. Overseas relocation of factories and manufacturing setups is a continuing trend, making the competition in the corporate loans market even tougher. The difficulty in finding new customers and the shrinking profit margin as a result of highly competitive market impose a heavy toll on profitability of corporate loans.

(3) Countermeasures

- a. Optimized the utilization of asset portfolio allocation is implemented to ameliorate company profits and maintain the momentum of our operations as coordinator of the government' s agricultural policies.
- b. Consolidation of the product, marketing channel, and clientele resources of the credit departments of farmers' and fisheries associations to foster the optimal performance of ABT in the agricultural finance system.

- c. Development of new and varied business lines to diversify the operating risks.
- d. Sustained recruitment of promising professional employees to reinforce our human resource pool and enhance personnel performance.
- e. Efficient utilization of public relations, media, and public welfare platforms for the construction of a positive professional image for ABT.

E. Overview of the Financial Instrument Research and Business Development Efforts

1. Principal financial instruments and new business departments, including scale of operations, launched in the past two years : none
2. Research and development expenditures and accomplishments of the past two years, and research and development projects of 2013 :

Research and development expenses of ABT in the past two years amounted to NT\$720,000 for 2013 and NT\$720,000 for 2012, mainly constituted by expenses due to the employment of consultants for the construction of ABT's asset allocation and risk management system module. The consultants were employed for the following duties : assessment of the credit risks of transaction counterparts, product evaluation model verification and risk assessment, VaR module as well as pressure scenario and historic scenario analysis. In 2014, ABT shall continue to update and maintain the aforementioned modules and plan a risk management system to cater to the need of the ABT's business operation.

F. Short-term, Medium-term, and Long-term Development Projects

1. Short-term Projects

(1) Loans business

ABT shall continue to expand its loan business to ensure a stable source of revenue. The annual objective for loan business in 2014 is set at NT\$240 billion, and the strategies for implementation are as follows :

- a. Continued offering of policy-oriented special agricultural loans created in line with established government policies.
- b. Enhancement of business relations with other banks and expansion of the syndicated loan service.
- c. Effective utilization of the local resources of farmers' and fisheries associations for expansion of the grass-root agricultural industry loan business and the regional loan services.
- d. Proper management of Customer Relations.

(2) Investment business

a. Investment in negotiable securities

The primary considerations of ABT's investment policy are security, liquidity, and profitability of the capital utilization. Moreover, ABT's investments in negotiable securities fully comply with the securities investment ceiling approved by the competent authority.

b. Thrusts of Financial Operations

- (a) Concentration of operating strategies on stable profit margins as primary consideration and capital gains as secondary consideration.
- (b) Enhancement of investment risk management to ensure a stringent control over the risk exposure of financial instruments.
- (c) Enhancement of internal control to ensure the timely adjustment of the credit line.

- (d) Adjustment of the asset structure for reducing the interest rate risk.
 - (e) Construction of a core asset allocation program for the diversification of revenue sources.
 - (f) Underwriting of bond RP trading and reducing the cost of capital.
- (3) Guidance services to credit departments of farmers' and fisheries associations
- a. The overdue loan ratio reduction goal for all credit departments in year 2014
The goal is to reduce the overdue loan ratio of all credit departments to below 0.9% by yearend of 2014.
 - b. Implementation of the annual financial evaluation procedure and performance assessment procedure on 303 credit department offices.
 - c. Processing and Management of the Agricultural Development Fund Loan
ABT accepted the commission to manage the agricultural development fund loan and assisted in implementing the agricultural policies. Moreover, ABT provides counseling service to the credit departments to help them process the policy-oriented project loans, thereby achieving the goal of 2014 policy-oriented special agricultural loans of the agricultural authorities.
 - d. Organization of training courses for the credit department personnel
For 2014, ABT plans to hold around 23 seminars for the credit departments of the farmers' & fisheries associations on the following subject matters : internal control operations, preliminary credit information investigation, processing of deposit transaction related consumer disputes, the Personal Information Protection Act, advanced course in credit information investigation (corporate loans) , processing of loan transaction related consumer disputes, real estate valuation procedures, advance course in loan collection practices, trust and insurance services.
 - e. Presenting recommendations to and coordination with the competent authority for amendment of the agricultural finance related laws
Recommendations for the amendment of agricultural finance related laws pursuant to the actual circumstances of guidance operations and compiled credit department reports were proposed to the competent authority. Moreover, operations were adjusted in line with the related regulatory amendments to bolster the operation stability of the credit departments and the business development.
 - f. Amendment of guidance regulations
Guidance operations are evaluated periodically to gather opinions of the competent authority, credit departments, and related institutions on the matter. Data gathered serve as basis for the amendment of the ABT guidance regulations for the enhancement of the quality of guidance operations and providing appropriate responses to credit department requirements.
 - g. Compilation of the "Guidance Operations Plan for Credit Departments" and the "Plan of Operations for the Trust Programs of the Agricultural Development Fund".
 - h. Implementation of mutual support fund operations
ABT processed the budget allocations of the mutual support fund and provided financial support to the credit departments.
 - i. The suggestions and feedbacks of the credit departments collected every month were studied for the formulation of response actions, which are then presented to the Bureau of Agricultural Finance for supervision and guidance reference.
 - j. Counseling Service on the Consumer Debt Clearance Act related matters of the credit departments.
Assumption of the loan interest moratorium subsidy processing bank for the Typhoon Morakot disaster victims and processing of related matters.
 - k. In line with the promotion campaign of the agricultural finance policy, ABT assisted in the organization of the 8th Agricultural Golden Award related activities.

- l. Counseling service was provided for the reestablishment of sound credit department operations

ABT provided business recommendations and increased the counseling service frequency to reestablish the credit departments of the farmers' & fisheries associations and to assist in the development of their business operations.

(4) Trust businesses

- a. Upon acceptance of an application, the farmers' & fisheries associations shall inform the customer of the trust-related operations and process a real estate development trust in coordination with the procedures of the business units and construction financing projects of and the farmers' & fisheries associations to enable the customer to complete the construction project, thereby enabling the protection of the creditor rights, management of the dedicated trust account for specified deposit use purpose, increment of current deposit, and enhancement of the new business knowledge of the employees of the farmers' & fisheries associations. These efforts aim to bring ABT's trust operations within the reach of all farmers' & fisheries associations, thereby boosting the inclinations of farmers' & fisheries associations to process the loan applications and in turn, increasing the processing fee revenue.
- b. ABT processed the traded price trust of real estates and movable properties for the business units and the customers of the farmers' & fisheries associations to ensure the security of property trading and mitigation of transaction risks, thereby boosting the growth of current deposit and loans and increasing the processing fee revenue.
- c. ABT processed the property rights trust operations in coordination with the procedures and loan packages of the business units and the farmers' & fisheries associations to encourage employees of the farmers' & fisheries associations to use our trust instruments, thereby increasing the processing fee revenues of ABT.

(5) Insurance agency

It is projected that in year 2014, the insurance business performance (total insurance premium revenues) would reach around NT\$ 4.8 billion.

(6) Credit card

In an effort to diversify the financial services of the company, ABT shall consolidate related resources of the farmers' and fisheries associations and the recreational and tourism industry to foster the economic development of farming and fishing villages.

(7) Planning of Establishment of an International Banking Department

ABT plans to establish an international banking department to strengthen the foreign currency assets and liabilities and assist farmers (fishermen) in processing the import/export operations, foreign currency deposit/loan, as well as foreign currency inward/outward remittance.

(8) Expansion of the ABT core banking system

In response to the gradual launching of new businesses, ABT shall continue to add new operating functions to its core banking system, thus enabling system to cope with the rapid growth of business operations in the following years and to meet management efficiency requirements. Actions taken included the installation of information system for International Banking Dept. and enhancement of the various businesses commissioned by the farmers' and fisheries associations.

(9) Expansion of the business network platform commissioned to the farmers' and fisheries association

Scope of the present acceptance network platform has been extended to cater to the new acceptance services added into regular operations, thus making it possible to provide the farmers' and fisheries associations with faster, more thorough, and more accurate services. Moreover, ABT shall continuously develop more business cooperative ties with collection agencies to provide finer quality services to the farmers' and fisheries, upgrade the competitive power of the farmers' and fisheries associations, and at the same time, increase earnings through processing fee revenues.

(10) Enhancement of remote backup service and security measures

Construction of the ABT core banking system was completed on May 3, 2009, and the remote backup service drill has been conducted once a year since 2011. In order to cater to the new establishment of two bank branches, the control operations and emergency backup and the security measures of the computer center mainframe system, application program amendment management, and online data and file updating system are implemented according to the ABT's regulations governing the security control operations and in line with the implementation of ABT's "Regulations on Computer and Information Operations Security Management" and "Essential Security Information of Computer and Information Operations".

(11) Play the Leading Role in the "Construction, Maintenance and Operation of the Shared Accounting System for the Farmers' and Fisheries Associations" : On August 8, 2013, ABT signed the "Farmers' and Fisheries Associations Shared Accounting System Construction, Maintenance and Operation Agreement" with the "National Agriculture, Fishery and Finance Information Center," and ABT shall take charge of the establishment, maintenance and operation of the "Shared Accounting System for the Farmers' and Fisheries Associations." To avoid the hardware equipment (large-scale mainframe computer and teller terminals, worth 51.84 million) delivered for this project being idle or resulting in losses due to redundancy, ABT shall devise the most optimal plans and conduct subsequent constructions in accordance with the specifications and hardware equipment required for the system construction project of the National Agriculture, Fishery and Finance Information Center. This project has commenced in the 4th quarter of year 2013, and all development and testing procedures will be completed within 24 months. All farmers' and fisheries associations will be included into the system operations in the future.

2. Medium and Long-term Projects :

(1) Loans business

ABT has annually adjusted the loan structure to enhance the stability of profits. Furthermore, we have strengthened processing of agriculture related financing and regular loan businesses. Moreover, we shall continue to participate in the syndicated loan system of other banks and strengthen the loan business jointly transacted with the credit departments of the farmers' and fisheries associations. We set the 2014 goal for loan businesses at NT\$240 billion and hope to reach a goal of NT\$260 billion in year 2015. We also hope to see a stable growth in loan business in the subsequent years.

(2) Investment business

a. Creation of Sound Asset Structures and Balanced Development of Businesses

ABT employs the steady growth principle for its loan strategies, and in order to enhance the operating performance, ABT fully utilizes the available capital and creates earnings. In addition to continuous participation in the syndicated financial loan operations, ABT also engages in the referred loan business for the farmers' and fisheries associations pursuant to the "ABT's Syndicated Loan Plan in Cooperation with the Farmers' and Fisheries Associations", thereby increasing the total loan amount and enhancing the loan-to-deposit ratio.

b. Flexible adjustment of financial operating strategies and development of sound investment portfolio

(a) Effective Control of the Interest Rate Risk

The United States' QE policy is reducing in scale. Considering the balanced interest income and future interest rate risk, ABT shall adjust its investment strategies based on the market situations, thereby alleviating concerns of reduction of the earnings rate.

(b) Gradual Adjustment of the Bond Positions based on the Market Trends

Regarding the government bond position, ABT will adjust its strategies according to the fluctuations in interest rate, and look for opportunities to adjust inventory or engage in purchasing of additional bonds. In terms of corporate bonds and financial debentures, ABT will obtain bonds through primary and secondary markets according to the allocation plan.

- (c) Dividends are the primary goal for stock investments, while the capital gains are the secondary goal.

ABT strengthened the financial trend forecast capability and flexible manipulations, thereby establishing a stock portfolio with the primary goal of obtaining stock dividends as well as a secondary goal of obtaining capital gains.

- (d) Make Additional Purchases of Foreign Bonds with Good Credit Ratings at the Right Time

Since the Federal Reserve of the United States has begun to reduce the scale of its QE policy, ABT will take into consideration the status of the international bond market and purchase additional bonds issued or guaranteed by foreign governments or financial institutions with good credit ratings at the appropriate time. ABT will also look for the right opportunities to purchase US-dollar-based product portfolio positions in order to maintain adequate investment income.

- c. Establish Diverse Sources of Revenue and Reduce the Fluctuation of Earnings

ABT processed the traded price trust of real estates and movable properties for the business units and the customers of the farmers' & fisheries associations ; moreover, ABT provided the property right management trust business to boost the growth of current deposit and loans and increase the processing fee revenue.

- (3) Fostering the upgrade of the competitive power of the credit departments

Under the directions of the competent authority and assistance of ABT, the credit departments were able to reduce the ratio of their overdue loans and increase the loan-to-deposit ratio and operating balances. A significant improvement was noted in the overall operating performance. In the future, we shall continue all guidance operations and study methods by which we may aid the credit departments in enhancing their competitive powers and maintaining the development of their operations under the highly competitive financial environment of today, thereby continuing to provide services to farmers and fishermen.

- (4) Provision of Guidance to the Credit Departments to Ensure Sound Internal Control and Internal Auditing

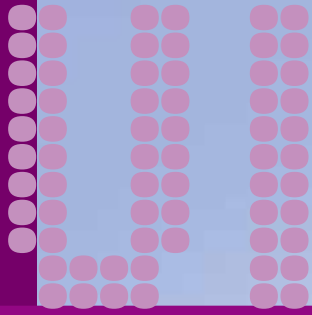
ABT supervises the internal control and internal audit procedures implemented by the credit departments of the farmers' and fisheries associations. Beginning in 2014, ABT will conduct on-site audit on the credit departments once a year.

- (5) Implementation of the Information Sharing System

ABT has taken charge of the "construction, maintenance and operation of the Payment clearing system operations for the Farmers' and Fisheries Associations" of the National Agriculture, Fishery and Finance Information Center. Looking forward, ABT will continue to develop the agricultural finance information exchange platform and the capital clearance mechanism, as well as conduct the system integration, thereby facilitating ABT to take over the credit department reserve deposit and withdrawal procedure, shared core banking system, and inter-bank clearance operations that are currently carried out by the Taiwan Cooperative Bank. Through the full integration of the information system and the ABT's business operations, ABT aims to achieve the effective integration of "cash flow," "logistics," and "information flow."

- (6) Employment of the extended counter and application for operating licenses for additional branches that will cater to the needs of the farmers' and fisheries associations

ABT opened two additional bank branches in Taichung and Kaohsiung in 2012 ; we now have three business offices. Concurrently, ABT is still working jointly with farmers' and fisheries associations in implementing the extended counter concept. Through the cooperative arrangements with regional representative farmers' and fisheries associations, we have expanded the scale of our operations and enhanced the quality of services. In the future, ABT shall, upon the business operation needs, establish more business offices for the service of farmers' and fisheries associations and realize the duties delegated by the parent group. Also, ABT shall strengthen the review procedures of loan applications above a certain loan amount and guide the credit departments so they may expedite the improvement of their asset quality and effectively promote the policy-oriented agricultural project loans, thereby enhancing the implementation efficiency of the respective statutory missions. These measures shall consequently bring about a stable growth in agricultural banking operations, moderately expand the scale of operations, reduce the operating costs, bolster the capacity to pay the redeposit interest, and foster the balanced regional development of the agricultural finance system.



Financial Summary



A. Concise Balance Sheet and Comprehensive Income Statement of Latest Years

Condensed Balance Sheet—Consolidated

Unit in NTD Thousand

Account	Year (Note 2)	December 31, 2013	December 31, 2012
Cash & Equivalents, Due from CBC and Loans to Banks		359,595,693	368,332,489
Financial Assets at Fair Value through Profit & Loss		9,110,294	13,360,086
Available-for-sale financial assets		127,526,261	119,244,471
Accounts Receivable – Net		2,878,916	2,847,069
Income Tax Asset of Current Period		984,165	998,937
Discounts & Loans - Net		218,120,983	192,472,198
Held-to-maturity Financial Assets		32,700,348	25,899,169
Other Financial Assets - Net		18,627,516	10,274,298
Real Estate & Equipment - Net		96,027	86,402
Intangible Assets - Net		10,943	14,348
Deferred Income Tax Asset- Net		122,763	-
Other Assets		23,418	20,626
Total Assets		769,797,327	733,550,093
Due to CBC & Banks		21,250,928	12,785,612
Financial Liabilities at Fair Value through Profit & Loss		2,000,808	1,896,611
Bills & Bonds Sold under Repurchase Agreements		41,562,816	32,798,224
Accounts Payable		1,122,536	1,039,940
Income Tax Liabilities of Current Period		1,202	592
Deposits & Remittances		672,712,462	653,508,209
Bonds Payable		5,800,000	5,800,000
Other Financial Liabilities		1,630,964	1,933,483
Liability Reserve		160,925	113,327
Deferred Income Tax Liabilities		122,651	-
Other Liabilities		224,106	184,386
Total Liabilities	Before Distribution	746,589,398	710,060,384
	After Distribution	-	710,309,442
Equity attributable to Owners of Parent Company		23,207,929	23,489,709
Capital Stock		20,484,054	20,401,256
Retained Earnings	Before Distribution	2,379,463	2,180,512
	After Distribution	-	1,848,656
Other Equity		344,412	907,941
Total Equity	Before Distribution	23,207,929	23,489,709
	After Distribution	-	23,240,651

Note 1 : The above financial information was prepared in accordance with IFRSs and certified by a CPA.

Note 2 : No consolidated statements were produced before IFRSs became applicable to ABT.

Comprehensive Income Statement— Consolidated

Unit in NTD Thousand

Account	Year (Note 2)	2013	2012
Interest Income		10,145,416	9,397,629
Less : Interest Expense		(8,772,273)	(8,571,632)
Net Interest Income		1,373,143	825,997
Non-interest Income— Net		553,319	1,063,999
Net Income		1,926,462	1,889,996
Bad Debt Expense and Reserves for Guarantor Responsibilities		(767,197)	(741,486)
Operating Expenses		(598,371)	(580,983)
Net Income from Continuing Operations before Income Tax		560,894	567,527
Income Tax Expenses		(32,467)	(15,040)
Net Profit of Current Period		528,427	552,487
Other Comprehensive Profit & Loss (net after tax)		(561,149)	395,296
Total Comprehensive Profit & Loss of Current Period		(32,722)	947,783
Net Profit Attributable to Owners of Parent Company		528,427	552,487
Net Comprehensive Profit/Loss Attributable to Owners of Parent Company		(32,722)	947,783
Earnings per Share		0.26	0.27

Note 1 : The above financial information was prepared in accordance with IFRSs and certified by a CPA.

Note 2 : No consolidated statements were produced before IFRSs became applicable to ABT.

B. Annual Financial Analysis

Financial Analysis—Consolidated

Entries (Note 2)		Year	2013	2012
Operating Capacity	Loan-to-deposit Ratio (%)		32.87	29.80
	NPL Ratio (%)		1.42	1.30
	Ratio of interest payments against annual average deposit balance (%)		1.25	1.26
	Ratio of interest revenue against annual average loan balance (%)		1.82	1.76
	Total assets turnover rate (times)		0.003	0.003
	Average operating revenue per employee (in NTD thousand)		10,086.19	10,799.98
	Average earnings per employee (in NTD thousand)		2,766.63	3,157.07
Profitability	Return rate of Tier 1 capital (%)		3.25	3.50
	Return rate of assets (%)		0.07	0.08
	Return rate of equity (%)		2.26	2.38
	Net income rate (%)		27.43	29.23
	Earnings per share (in NTD)		0.26	0.27
Financial structure	Ratio of liabilities against total assets (%)		96.99	96.80
	Ratio of real estate & equipment against equity (%)		0.41	0.37
Growth rate	Growth rate of assets (%)		4.94	2.63
	Growth rate of profitability (%) (Note 1)		(1.17)	-
Cash Flow	Ratio of cash flow (%)		(14.48)	16.32
	Cash flow adequacy ratio (%) (Note 1)		-	-
	Cash flow satisfied ratio (%)		(27,822.25)	29,884.70
Ratio of liquid reserves (%)			54.02	62.08
Total secured loans to related parties (in NTD thousand)			43,373	43,209
Ratio of total secured loans to related parties against total loans (%)			0.02	0.02
Scale of Operations	Market share of assets (%)		1.88	1.93
	Equity market share (%)		0.87	0.94
	Deposit market share (%)		2.29	2.36
	Loan market share (%)		0.99	0.90

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Loan-to-deposit ratio is higher than that of last year, which is mainly due to an increase in total loan amount.
2. Average employee profit is lower than that of last year, which is mainly due to decrease of the net profit after tax and an increase of the employee number.
3. Profitability is lower than that of last year, which is primarily due to a decrease of profits before and after tax.
4. The asset growth rate is higher than that of last year, which is primarily due to an increase of discounts and loans.

Note 1 : Abt has been producing consolidated statements for less than 5 years, and therefore this rate does not apply.

Note 2 : Computation equations employed for the financial analysis entries :

1. Operating ability

- (1) Ratio of loans to deposits = total loans / total deposits
- (2) Ratio of overdue = (loans overdue + other overdue) / total loans
- (3) Ratio of interest cost to annual average deposits = interest cost / annual average deposits
- (4) Ratio of interest income to annual average loans outstanding = interest income / annual average loans outstanding
- (5) Total assets turnover = net operating revenue / average of total assets
- (6) Average operation revenue per employee = net operating revenue / number of employees
- (7) Average profit per employee = after-tax income / total number of employees

2. Profitability

- (1) Return on tier i capital = before-tax earnings or losses / Net Average Tier I Capital
- (2) Return on assets = net income / average of total assets
- (3) Return on equity = net income / average of total equity
- (4) Ratio of net income = net income / total revenue
- (5) Earning per share = (net income - preferred stock dividend) / average weighted outstanding stock

3. Financial structure

- (1) Ratio of liabilities to assets = liabilities / total assets
- (2) Ratio of real estate & equipment to equity = real estate & equipment assets / equity

4. Growth rate

- (1) Asset growth rate = (total assets of the year - total assets of previous year) / total assets of previous year
- (2) Profit growth rate = (before-tax earnings or losses of the year - before-tax earnings or losses of previous year) / before-tax earnings or losses of previous year

5. Cash flow

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

6. Liquidity reserves ratio = liquid assets stipulated by cbc / reserves appropriated for various types of deposits

7. Operating scale

- (1) Market share of asset = total assets / total assets of the major financial institutions
- (2) Market share of net worth = net worth / total assets of the major financial institutions
- (3) Market share of deposit = total deposits / total assets of the major financial institutions
- (4) Market share of loan = total loans / total assets of the major financial institutions
- (5) Financial institutions capable of operating deposits and loans, including the local banks, branches of foreign banks in taiwan, credit cooperatives, credit departments of farmers' association and fishermen's association.

Capital Adequacy

Unit in NTD Thousand

Entries		Year	Year 2013		
			ABT	Consolidated	
Regulatory Capital	Common Equity		17,971,183	18,017,563	
	Additional Tier 1 Capital		-	-	
	Tier 2 Capital		8,843,679	8,890,058	
	Regulatory Capital		26,814,862	26,907,621	
Risk-weighted Assets	Credit Risk	Standardized Approach	251,101,828	251,117,672	
		Internal Ratings-based Approach	-	-	
		Asset Securitization	21,396,218	21,396,218	
	Operational Risk	Basic Indicator Approach	2,982,913	2,982,913	
		Standardized Approach/ Alternative Standardized Approach	-	-	
		Advanced Measurement Approach	-	-	
	Market Risk	Standardized Approach	19,818,113	19,818,113	
		Internal Model Approach	-	-	
	Total Risk-weighted Assets			295,299,072	295,314,916
	Total Capital Adequacy Ratio			9.08 %	9.11 %
Tier 1 Capital Ratio			6.09 %	6.10 %	
Common Equity Tier 1 Ratio			6.09 %	6.10 %	
Leverage Ratio			2.07 %	2.07 %	

Note 1 : Capital adequacy ratio equations employed are as shown below :

1. Regulatory Capital= Common Equity+ additional Tier 1 Capital + Tier 2 Capital.
2. Total Risk-weighted Assets= Risk-weighted Assets for Credit Risk + the capital requirements for (operational risk+ market risk)x12.5
3. Total Capital Adequacy Ratio= Regulatory Capital/ Total Risk-weighted Assets
4. Tier 1 Capital Ratio =(Common Equity+ additional Tier 1 Capital)/ Total Risk-weighted Assets
5. Common Equity Tier 1 Ratio = Common Equity/ Total Risk-weighted Assets
6. Leverage Ratio= average of the monthly Tier 1 Capital over the quarter/ average of the monthly Exposure Measurement over the quarter

Note 2 : ABT's and consolidated Total Capital Adequacy Ratio as of December 31,2013 is processed pursuant of the "Regulations Governing the Capital Adequacy and Capital Category of Banks" implemented on January 1,2013

C. The Supervisor's Evaluation Report of the 2013 Financial Statements

Supervisor's Report

We have examined the Agricultural Bank of Taiwan's 2013 (January 1, 2013 ~ December 31, 2013) financial statements balance sheets, statements of income, statements of changes in stockholder's equity and statements of cash flows), as well as the Bank's 2013 business report and proposal for earnings distribution in the third-term 3rd supervisor's meeting held on March 18, 2014 and third-term 4th supervisor's meeting held on May 20, 2014 and did not find any nonconformity. The aforementioned financial statements were presented to us by the Bank's Board of Directors and have been audited by Chung Dan-Dan, Certified Public Accountant, KPMG Taiwan.

To
2014 General Shareholder's Meeting

Agricultural Bank of Taiwan

Resident Supervisor : Yang, Shun-Cheng



(authorized signature)

Supervisor : Lin, Shi-Jie



(authorized signature)

Supervisor : C.T. Lin



(authorized signature)

Supervisor : C.Y. Lin



(authorized signature)

Supervisor : C.J. Wu



(authorized signature)

May 20, 2014

D. The CPA's Audit Report of the 2013 Financial Statements



安侯建業聯合會計師事務所

KPMG

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Independent Auditor's Report

The Board of Directors

Agricultural Bank of Taiwan, Ltd.

We have audited the accompanying consolidated balance sheets of Agricultural Bank of Taiwan, Ltd. as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, consolidated changes in equity and cash flows for the years ended on December 31, 2013 and 2012. The preparation of the above financial statements was the responsibility of the management of the company; our responsibility as an auditor was to express an opinion based on our audit.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of material misstatement. This audit also involved random verifications of supporting evidence for the amounts and disclosures presented in the financial statements, assessments of accounting principles and major accounting estimates used by the management in their preparation of financial statements, and evaluations toward the overall representation of the financial statements. We believe that the audit procedures provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Agricultural Bank of Taiwan, Ltd. as of December 31, 2013 and 2012, and January 1, 2012, and the results of its consolidated operations and its consolidated cash flows for the years ended on December 31, 2013 and 2012, in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins (collectively referred to herein as IFRSs) that are ratified by the Financial Supervisory Commission, R.O.C. (FSC).

Agricultural Bank of Taiwan, Ltd. has already prepared entity financial statements for years 2013 and 2012, and we, the auditing CPAs, have furnished unqualified opinions with modification for reference.

Taipei, Taiwan, R.O.C.

March 18, 2014



Note to Readers

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

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

(English Translation of Financial Report Originally Issued in Chinese)

AGRICULTURAL BANK OF TAIWAN LTD AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013 AND 2012 AND JANUARY 1, 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2013.12.31		2012.12.31		2012.1.1	
	Amount	%	Amount	%	Amount	%
ASSETS						
Cash and cash equivalents (Note 6 (1))	\$ 422,746	-	1,461,748	-	3,275,123	1
Deposits with the Central Bank and call loans to banks (Note 6 (2))	359,172,947	47	366,870,741	50	374,739,396	52
Financial Assets Measured at FVTPL (Note 6 (3))	9,110,294	1	13,360,086	2	20,148,487	3
Receivables, net (Note 6 (4) 及 (7))	2,878,916	-	2,847,069	-	2,634,169	-
Income Tax Assets	984,165	-	998,937	-	1,009,617	-
Discounts and loans, net (Note 6 (5) 及 (7))	218,120,983	28	192,472,198	26	167,639,200	24
Available-for-sale financial assets, net (Note 6 (6))	127,526,261	17	119,244,471	16	108,544,028	15
Held-to-maturity financial assets, net (Note 6 (8))	32,700,348	4	25,899,169	4	27,657,486	4
Other financial assets, net (Note 6 (9))	18,627,516	3	10,274,298	2	8,963,326	1
Real Estate and Equipment, net (Note 6 (10))	96,027	-	86,402	-	89,807	-
Intangible Assets, net (Note 6 (11))	10,943	-	14,348	-	15,800	-
Deferred Income Tax Assets, net (Note 6 (20))	122,763	-	-	-	-	-
Other Assets, net	23,418	-	20,626	-	19,595	-
TOTAL ASSETS	<u>\$ 769,797,327</u>	<u>100</u>	<u>733,550,093</u>	<u>100</u>	<u>714,736,034</u>	<u>100</u>
LIABILITIES AND EQUITY						
Liabilities						
Deposits from the Central Bank and other banks (Note 6 (12))	\$ 21,250,928	3	12,785,612	2	19,474	-
Financial Liabilities Measured at FVTPL (Note 6 (3))	2,000,808	-	1,896,611	-	1,977,112	-
Bonds and Securities Sold Under Repurchase Agreements (Note 6 (13))	41,562,816	6	32,798,224	5	47,161,845	7
Payables (Note 6 (14))	1,122,536	-	1,039,940	-	818,466	-
Income Tax Liabilities (Note 6 (20))	1,202	-	592	-	3,875	-
Deposits and remittances (Note 6 (15))	672,712,462	87	653,508,209	89	638,635,843	90
Financial bonds payable (Note 6 (16))	5,800,000	1	5,800,000	1	800,000	-
Other financial liabilities (Note 6 (17))	1,630,964	-	1,933,483	-	2,236,404	-
Reserve for Liabilities (Note 6 (18) 及 (19))	160,925	-	113,327	-	74,284	-
Deferred Income Tax Liabilities (Note 6 (20))	122,651	-	-	-	-	-
Other liabilities	224,106	-	184,386	-	115,130	-
Total Liabilities	<u>746,589,398</u>	<u>97</u>	<u>710,060,384</u>	<u>97</u>	<u>691,842,433</u>	<u>97</u>
Equity Attributable to Owners of The Parent Company :						
Capital stock (Note 6 (21))						
Common stock	15,984,054	2	15,901,256	2	15,744,280	2
Preferred stock	4,500,000	1	4,500,000	1	4,500,000	1
Retained earnings :						
Legal reserve	1,353,390	-	1,132,152	-	793,052	-
Special reserve	525,141	-	525,141	-	525,141	-
Unappropriated retained earnings (Note 6 (20) 及 (21))	500,932	-	523,219	-	823,179	-
Other Equities	344,412	-	907,941	-	507,949	-
Total Equity	<u>23,207,929</u>	<u>3</u>	<u>23,489,709</u>	<u>3</u>	<u>22,893,601</u>	<u>3</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 769,797,327</u>	<u>100</u>	<u>733,550,093</u>	<u>100</u>	<u>714,736,034</u>	<u>100</u>

(English Translation of Financial Report Originally Issued in Chinese)

AGRICULTURAL BANK OF TAIWAN, LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2013		2012		Variance %
	Amount	%	Amount	%	
Interest revenue	\$ 10,145,416	527	9,397,629	497	8
Less : Interest expense	(8,772,273)	(455)	(8,571,632)	(454)	2
Net interest income (Note 6 (23))	<u>1,373,143</u>	<u>72</u>	<u>825,997</u>	<u>43</u>	66
Non-interest income, net					
Commissions and handling fee, net (Note 6 (24))	39,400	2	59,835	3	(34)
Financial Assets and Liabilities Measured at FVTPL	(191,530)	(10)	1,984,463	105	(110)
Realized gains on available-for-sale financial assets	296,348	15	205,531	11	44
Foreign exchange (losses) gains	548,397	28	(1,190,274)	(63)	146
impairment loss on assets	(139,679)	(7)	(94,392)	(5)	(48)
Others non-interest income, net	<u>383</u>	<u>-</u>	<u>98,836</u>	<u>6</u>	(100)
Net revenue	<u>1,926,462</u>	<u>100</u>	<u>1,889,996</u>	<u>100</u>	2
Bad debt expense and reserve for guarantees	<u>(767,197)</u>	<u>(40)</u>	<u>(741,486)</u>	<u>(39)</u>	3
Operating expenses :					
Employee benefits expenses (Note 6 (25))	(268,852)	(14)	(259,577)	(14)	4
Depreciation and amortization expenses	(27,908)	(1)	(26,963)	(1)	4
Other selling and administrative expenses	<u>(301,611)</u>	<u>(16)</u>	<u>(294,443)</u>	<u>(16)</u>	2
Total operating expenses	<u>(598,371)</u>	<u>(31)</u>	<u>(580,983)</u>	<u>(31)</u>	3
Earnings from continuing operations before income tax	<u>560,894</u>	<u>29</u>	<u>567,527</u>	<u>30</u>	(1)
Income tax expenses (Note 6 (20))	<u>(32,467)</u>	<u>(2)</u>	<u>(15,040)</u>	<u>(1)</u>	116
Net income	<u>528,427</u>	<u>27</u>	<u>552,487</u>	<u>29</u>	(4)
Total Comprehensive Income :					
Unrealized gain (loss) on available-for-sale financial assets	(563,529)	(29)	399,992	21	(241)
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	<u>2,380</u>	<u>-</u>	<u>(4,696)</u>	<u>-</u>	151
Other Comprehensive Income	<u>(561,149)</u>	<u>(29)</u>	<u>395,296</u>	<u>21</u>	(242)
Total Comprehensive Income	<u>\$ (32,722)</u>	<u>(2)</u>	<u>947,783</u>	<u>50</u>	(103)
Consolidated net income attributed to :					
Owners of The Parent Company	<u>\$ 528,427</u>	<u>27</u>	<u>552,487</u>	<u>29</u>	(4)
Total comprehensive income attributed to :					
Owners of The Parent Company	<u>\$ (32,722)</u>	<u>(2)</u>	<u>947,783</u>	<u>50</u>	(103)
Basic earnings per share (Unit in NT dollars) (Note 6 (22))	<u>\$ 0.26</u>		<u>0.27</u>		
Diluted earnings per share (Unit in in NT dollars) (Note 6 (22))	<u>\$ 0.26</u>		<u>0.27</u>		

(English Translation of Financial Report Originally Issued in Chinese)

AGRICULTURAL BANK OF TAIWAN, LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Total Equity
	Capital Stock		Retained Earnings			Other Equity	
	Common stock	Preferred stock	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gains on Available-for-sale Financial Assets	
Balance at January 1, 2012	\$15,744,280	4,500,000	793,052	525,141	823,179	507,949	22,893,601
Profit for the period	-	-	-	-	552,487	-	552,487
Other comprehensive income (loss) for the period	-	-	-	-	(4,696)	399,992	395,296
Total comprehensive income for the period	-	-	-	-	547,791	399,992	947,783
Appropriation and distributions : (Note)							
Legal reserve	-	-	339,100	-	(339,100)	-	-
Common stock-cash dividends	-	-	-	-	(141,699)	-	(141,699)
Preferred stock-cash dividends	-	-	-	-	(116,550)	-	(116,550)
Common stock-stock dividends	156,976	-	-	-	(156,976)	-	-
Contribution to mutual support fund	-	-	-	-	(25,952)	-	(25,952)
Promotion and assistance fee on various Farmers' and Fishery Association	-	-	-	-	(67,474)	-	(67,474)
Balance - December 31, 2012	15,901,256	4,500,000	1,132,152	525,141	523,219	907,941	23,489,709
Profit for the period	-	-	-	-	528,427	-	528,427
Other comprehensive income (loss) for the period	-	-	-	-	2,380	(563,529)	(561,149)
Total comprehensive income for the period	-	-	-	-	530,807	(563,529)	(32,722)
Appropriation and distributions : (Note)							
Legal reserve	-	-	221,238	-	(221,238)	-	-
Common stock-cash dividends	-	-	-	-	(71,555)	-	(71,555)
Preferred stock-cash dividends	-	-	-	-	(116,550)	-	(116,550)
Common stock-stock dividends	82,798	-	-	-	(82,798)	-	-
Contribution to mutual support fund	-	-	-	-	(16,931)	-	(16,931)
Promotion and assistance fee on various Farmers' and Fishery Association	-	-	-	-	(44,022)	-	(44,022)
Balance - December 31, 2013	<u>\$15,984,054</u>	<u>4,500,000</u>	<u>1,353,390</u>	<u>525,141</u>	<u>500,932</u>	<u>344,412</u>	<u>23,207,929</u>

Note : The employees' compensations are recognized in the consolidated statements of comprehensive income in 2013 and 2012.

(English Translation of Financial Report Originally Issued in Chinese)

AGRICULTURAL BANK OF TAIWAN, LTD AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income before income tax	\$ 560,894	567,527
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expenses	23,553	26,776
Amortization expenses	4,473	4,524
Provision of bad debt expenses	719,588	713,486
Net gain on financial assets and liabilities at fairvalue through profit or loss	31,445	(1,253,256)
Interest expenses	8,831,313	8,630,754
Interest income	(10,247,841)	(9,687,563)
Dividends income	(98,626)	(114,295)
Provision for guarantee reserve	47,609	28,000
losses on retirement	33	-
Impairment losses on financial assets	139,679	94,392
Total adjustments to reconcile profit (loss)	<u>(548,774)</u>	<u>(1,557,182)</u>
Changes in operating assets :		
Decrease in due from the Central Bank and call loans to banks	7,697,794	7,868,655
Decrease in financial assets at fair value through profit or loss	4,322,544	7,961,156
Increase in receivables	(88,802)	(1,865)
Increase in discounts and loans	(26,368,459)	(25,537,717)
Increase in available-for-sale financial assets	(8,845,319)	(11,169,573)
decrease (Increase) in held-to-maturity financial assets	(6,801,179)	2,516,688
Increase in other financial assets	(8,494,773)	(1,296,530)
Increase in other assets	(2,792)	(1,031)
Total changes in operating assets	<u>(38,580,986)</u>	<u>(19,660,217)</u>
Changes in operating liabilities :		
Increase in due to the Central Bank and banks	8,465,316	12,766,138
Increase in payables	83,229	170,036
Increase in deposits and remittances	19,204,253	14,872,366
Decrease in other financial liabilities	(302,519)	(302,921)
Increase in employee benefits	2,369	6,347
Increase in other liabilities	22,789	43,304
Total changes in operating assets and liabilities	<u>27,475,437</u>	<u>27,555,270</u>
Cash generated from operations	(11,093,429)	6,905,398
Interest received	10,306,758	9,469,678
Dividend received	98,626	114,295
Interest paid	(8,831,945)	(8,579,317)
Income taxes paid	(17,198)	(7,642)
Net cash flows generated from operating activities	<u>(9,537,188)</u>	<u>7,902,412</u>
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisition of property and equipment	\$ (33,211)	(23,371)
Acquisition of intangible assets	(1,068)	(3,072)
Net cash generated from investing activities	<u>(34,279)</u>	<u>(26,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES :		
Proceeds from issuance of bank notes	-	5,000,000
Increase (decrease) securities sold under repurchase agreements	8,764,592	(14,363,621)
Cash dividends distributed	(188,105)	(258,249)
Promotion and assistance fee on various Farmers' and Fishery Association	(44,022)	(67,474)
Net cash flows generated from financing activities	<u>8,532,465</u>	<u>(9,689,344)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,039,002)	(1,813,375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,461,748	3,275,123
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 422,746</u>	<u>1,461,748</u>



Risk Management



A. Credit Risk Management

1. Credit Risk Management System

2013

Item	Description
Credit risk management strategies, objectives, policies and implementation procedures	<ol style="list-style-type: none"> 1. Credit risk management strategies, objectives, and policies <ol style="list-style-type: none"> (1) Pursuant to ABT loan policies, investment policies, operating strategies, and business plans, ABT is required to comply with Basel Capital Accord and regulations of the respective competent authorities, and at the same time, ensure the capital utilization performance and the asset quality of the bank, and thus, ABT periodically modify its credit risk management strategies to ensure appropriate measures. (2) ABT developed a sound credit risk control mechanism to enable the effective identification, measurement, supervision, and control of credit risks, thereby allowing ABT to find a balance between the standard of acceptable risks and the standard of anticipated returns. (3) The respective departments processing credit risk related operations shall assess the possible credit risk loss probability that a particular loan, investment, or transaction account may produce and the severity of the probable losses. Moreover, departments shall institute the appropriate credit risk management countermeasures, such as risk hedging, risk transfers, risk control, and risk assumption actions. 2. Credit risk management policy implementation procedure <ol style="list-style-type: none"> (1) Prior to processing existing and new types of business operations, the respective departments shall understand the credit risks involved in such endeavors, or through the loan, investment, or transaction processing procedure, identify all credit risk factors, such as characteristics of the borrowers. Moreover, through an understanding of factors, such as, the types of loan services, fund borrowers, objectives of loans, loan payment sources, loan amortization records, and specification of the loan agreements and financial standing of borrowers, or the effects of changes in the overall markets, ABT gained an understanding of the possible impacts of ABT's risk exposures. Furthermore, ABT shall assess the risk offsetting tools, such as collaterals and guarantees, and study the changes in the risk status of other possible future borrowers, bond issuers, or transaction counterparties. In addition, aside from a study of individual transaction risks, the ABT shall weigh the composite risks of loan accounts and investment portfolios. (2) ABT established a credit risk monitoring and control system through which ABT monitored and controlled the credit risks of individual loan accounts and loan packages. The monitoring and control system shall cover credit line management, loan management after release of loans, management of collaterals, and management of the asset quality.
Organization and structure of the credit risk management	<ol style="list-style-type: none"> 1. The Board of Directors defines the credit risk management regulations and significant loan policies, verifies effectiveness of credit risk management operations, and regularly conducts evaluation and review procedures pursuant to the overall operating strategies and business operation environment of the bank. 2. The senior management level is responsible for the implementation of the credit risk management policies and frameworks resolved by the Board of Directors and the supervision and monitoring of management procedures to ensure propriety of operations, as well as coordination of all interdepartmental credit risk related matters. 3. In compliance with the credit risk policies of the Board of Directors, the Risk Management Committee controls the credit risk management mechanism and deliberates on the formulation and amendment of credit risk related criteria, including provisions on risk indicators and assessment procedures. 4. The Credit Review Committee and the credit review team : The credit review team of the ABT's operation department serves as the working staff of authorized officers of each respective department. Moreover, the head office has established its own Credit Review Committee and credit review team ; the latter serves as the office staff of the president and the Board of Directors for the review of cases requiring approval authorizations above the vice president level. The team is organized under the purpose of strengthening credit review capacity of the bank. On the other hand, the Credit Review Committee is composed of nine members, four from the senior management of ABT – that is, the president, business division vice president, and department heads - and five independent credit review committee members. The committee is responsible for review of the loan accounts requiring the approval authorization of the Board of Directors and the investment cases which are subject to the regulations governing the ABT's investment in negotiable securities, thereby enhancing the review function of the bank. 5. The Risk Management Office is a department dedicatedly established for risk management related operations. It is responsible for the planning, institution, and integration of all ABT credit risk management related operations, the implementation of overall credit risk management monitoring work, the regular compilation of ABT credit risk related information for the information of the Board of Directors and the Risk Management Committee, and the processing of credit risk Capital Requirement and risk information disclosure regulated by the competent authorities. 6. The Operation Department is responsible for the identification, evaluation and assessment of risks and the implementation of the appropriate risk countermeasures. The Operation Department executes all daily operations and credit risk management endeavors in accordance with the credit verification, loan approval, and credit risk management regulations and procedures of the bank. It is also responsible for submitting related reports to the in-charge departments on business matters or the Risk Management Office.
Scope and Features of the credit risk reporting and assessment system	In addition to preparing the required risk management statistics reports pursuant to the competent authority requirements, ABT also periodically compiles information on the credit risk position, credit line utilization, credit rating distribution, and loans categorized by industries for the information of the senior management level, the Risk Management Committee and the Board of Directors.
Policies on credit risk hedging or risk mitigation and the strategies and procedures for monitoring the effectiveness of hedging and risk mitigation instruments	The Bank regulates the line of credit granted to the same individuals, same related parties, same affiliate or group enterprises, financial holding companies, and credit quota of loans issued to the same industries in an effort to reduce the credit risk exposure of the bank. Moreover, providing that endeavors shall not affect the business development, ABT utilizes mortgaged collaterals, guaranties of credit assurance institutions, net value settlements, and credit derivatives as instruments for risk mitigation. Furthermore, ABT continue the credit line management, released loan management, mortgaged collateral management, and asset quality management operations to maintain control over the effectiveness of ABT risk mitigation instruments.
Procedure for Regulatory Capital Requirement	ABT adopts the standardized approach to credit risk for calculating capital charges.

2. Risk Exposure and Capital Requirement after Risk Mitigation under the Standardized Approach

December 31, 2013

Unit in NTD Thousand

Type of exposure	Exposure after risk reduction	Capital Requirement
Sovereign	472	8
Public sector other than the Central Government	61,270,663	980,331
Banks (including multilateral development banks)	80,438,787	3,291,843
Corporations (including securities and insurance companies)	189,033,097	12,823,491
Retail	26,423,964	2,083,694
Residential mortgages	1,132,874	78,449
Equity	2,010,089	482,421
Other assets	4,733,798	340,180
Total	365,043,744	20,080,418

B. Asset Securitization Risk Management

1. Asset Securitization Risk Management System

2013

Item	Description
Management strategies and procedures for asset securitization	<ol style="list-style-type: none"> 1. ABT is not an originating bank of asset securitization commodities and thus, related operations are merely in the form of investments. 2. ABT's investments in asset securitization commodities, and the related management strategies and procedures, are implemented according to ABT's investment policies, the regulations governing the authorization of investments in negotiable securities, the regulations governing the authorization of investments in foreign currency assets, and the regulations governing risk limits, and other related company regulations.
Asset securitization management organization and structure	ABT is not an originating bank of asset securitization commodities. All probable consequential risks of investments in asset securitization commodities (including credit risks, market risks, and operating risks) are processed and instituted according to the respective established risk management the organization and framework.
Scope and features of the asset securitization reporting and assessment system	The Risk Management Office prepares a monthly risk management statistics report, periodic information updates on the changes in the credit ratings of the asset securitization commodities on which ABT has investments and the ratio of every particular asset securitization commodity against ABT's total investments. Moreover, it identifies asset securitization commodities whose credit ratings are likely to be downgraded for proper tracking and control.
The risk hedging or mitigation policies on asset securitization and the strategies and implementation procedures for ensuring the sustained effectiveness of risk hedging and mitigation instruments	ABT is not an originating bank of capitalized security commodities ; hence, ABT defined the standard credit rating limitations and investment limits for investments in asset securitization commodities. Moreover, ABT regularly keeps track of the changes in the credit ratings of asset securitization commodities in an effort to mitigate possible risks of its investments in asset securitization commodities.
Procedure for Regulatory Capital Requirement	ABT adopts the standardized approach to securitization for calculating capital charges.
<p>6. Overall qualitative disclosure requirements include :</p> <ol style="list-style-type: none"> (1) The purpose of engaging in securitization activities, as well as the risk types sustained and retained by the bank due to engagement in re-securitization activities (2) Other risks contained in the securitization of assets (such as liquidity risk) (3) The various roles the bank plays in the process of securitization as well as the degree of involvement of the bank in each process (4) The monitoring and control procedures employed to respond to the changes in credit and market risks involved in the securitization exposure. (5) The credit risk mitigation management policies employed when mitigating the risks retained in securitization and re-securitization. 	N/A
7. Bank securitization accounting policies	N/A
8. External Credit Assessment Institution (ECAI) name used for securitization in the banking book, and the status of the securitization exposure of each capital tier type	N/A
9. Any major changes in quantitative information since the last reporting period (such as assets moving between the banking book and trading book)	N/A

Note : For items 6 to 9, since ABT is not a founding bank having outstanding position, there's no need to fill in this portion.

2. Status of asset securitization : none

3. Asset Securitization Exposure and Capital Requirement

December 31, 2013

Unit : Thousand NTD

Role of the Bank	Book Type	Risk Exposure Type	Type of Asset	Traditional Securitization				Synthetic Securitization		Total			
				Note Amount of Exposure				(2) Capital Requirement	Amount of Exposure	(4) Capital Requirement	(5) = (1) + (3) Amount of Exposure	(6) = (2) + (4) Capital Requirement	Capital Requirement before Securitization
				Reserved or Purchased	Provision of Liquidity Facilities	Provision of Credit Enhancement	(1) Subtotal						
Non-originating Bank	Banking Book	CBO	2,540,518	-	-	2,540,518	446,639	-	-	2,540,518	446,639	-	
		CMO	15,412,303	-	-	15,412,303	493,194	-	-	15,412,303	493,194		
		RMBS	771,536	-	-	771,536	1,009,826	-	-	771,536	1,009,826		
	Trading Book	-	-	-	-	-	-	-	-	-			
	Subtotal	-	18,724,357	-	-	18,724,357	1,949,659	-	-	18,724,357	1,949,659		
Originating Bank	Banking Book	-	-	-	-	-	-	-	-	-	-	-	
	Trading Book	-	-	-	-	-	-	-	-	-	-	-	
	Subtotal	-	-	-	-	-	-	-	-	-	-	-	
Total	-	-	18,724,357	-	-	18,724,357	1,949,659	-	-	18,724,357	1,949,659	-	

Descriptions :

- The column "Type of Asset" is further subdivided according to the type of securitized assets (such as credit card, home equity loan, or car loan) or the type of invested securities (such as, mortgage backed securities, commercial mortgage backed securities, asset backed securities, or CDOs).
- The amount of exposure of the banking book is the amount of exposure after risk deduction, and does not include the amount of deductions already included in the capital.

C. Operational Risk Management

1. Operational Risk Management System

2013

Item	Description
Strategies and procedures for operating risks management	<ol style="list-style-type: none"> The respective departments of ABT implement appropriate countermeasures, such as hedging, transfer or offsetting, control, or acceptance, on the various probable risk incidents of daily operating activities and management procedures and conduct a comprehensive assessment of their respective rates of occurrence and severity of impacts to mitigate occurrence rates of substantial losses and events. Procedures for the operational risk management include identification, assessment, control and reporting procedures. In consideration of the internal and external factors, such as, nature of businesses, personnel, systems and operational environments, a risk self-assessment procedure is implemented based on the primary operating activities or products for the identification of the various operating risks involved in the daily operating activities and management procedures. Moreover, ABT conducts an analysis of causes, event classification, and impact outcomes to understand operational risk incidents, and at the same time establishes a reporting system for operating risk incidents and a database for operating risk losses to enhance the operational risk assessment capacity of the bank. Furthermore, a regular compilation and analysis of the various operational risk management procedure implementation conditions are conducted, and findings reports are submitted to the information of the senior management, the Risk Management Committee, and the Board of Directors. Related reports are periodically disclosed pursuant to the regulations of the competent authorities.
Operating risk management organization and structure	<ol style="list-style-type: none"> The Board of Directors is the final decision-making body on matters of operational risk management. Pursuant to the overall operational strategies and operational environment of ABT, the Board of Directors approves the management procedures and significant policies governing operational risks, monitors the effective implementation of operational risk management systems, and conducts regular evaluation procedures on the matters. The senior management level is responsible for the following : supervision of the implementation of operational risk management criteria and systems ; ensuring that the respective management levels understand their respective roles and responsibilities in the management of operational risks ; examination of internal and external reports to determine their compliance with the related regulations on operational risk management ; and coordination of interdepartmental communications on operational risk related management operations. The Risk Management Committee implements a control over the operational risk management systems of ABT and deliberates on the related operational risk management criteria of the bank, including the formulation and amendment of risk indicators and assessment procedures, pursuant to the resolved operational risk management policies of the Board of Directors. The staff members of the respective divisions of ABT are obliged to observe the related regulations governing operational risks and to actively understand and control the operation risks involved in the matters and operations assigned to their responsibility. Moreover, staff members shall attend to all consequential operational risks immediately and report matters to the designated authorities as regulated. The Risk Management Office is responsible for the following : formulation of the operational risk management strategies and procedures ; design and introduction of operational risk identification procedures ; management systems of assessment, control, and reporting procedures ; and establishment and centralization of the operational risk loss events database of the company.

2013

Item	Description
Scope and features of the operating risk reporting and assessment system	ABT has established a reporting system and a loss events database for operational risk related incidents. Moreover, it has implemented self-assessment procedures on operational risks through the systematic self-determination and self-assessment of operational risks conducted by the respective divisions on the business and operational procedures they are implementing on existing businesses. Furthermore, ABT has formulated the necessary corrective actions to enhance risk control measures. All assessment results obtained are compiled into reports and submitted to the information of the Risk Management Committee and the Board of Directors.
The risk hedging or mitigation policies on operating risks, and strategies and implementation procedures for ensuring the sustained effectiveness of risk hedging and mitigation instruments	ABT established the sound criteria for operations and stringent internal control and external audit procedures for the mitigation of operational risks, and pursuant to completed control and audit reports, formulate the necessary corrective actions. Moreover, ABT avails of insurance protection and meticulously selects insurance outsourcing contractors for its risk transfer and offsetting pursuits. ABT continues examination, modification, and enhancement of its operational risk management procedures to achieve a higher level of efficiency in its operations.
Procedure for Regulatory Capital Requirement	ABT adopts the basic indicator approach to operational risk for calculating capital charges.

2. Capital Requirement for Operational Risk

December 31, 2013

Unit in NTD Thousand

Year	Gross profit	Capital Requirement
2013	1,739,806	-
2012	1,649,115	
2011	1,383,747	
Total		238,633

D. Market Risk Management

1. Market Risk Management System

2013

Item	Description
Management strategies and procedures for market risks	<ol style="list-style-type: none"> ABT implements appropriate countermeasures, such as risk hedging, risk transfer, risk control, and risk acceptance, on the various market risks to which daily operating activities and management procedures are exposed pursuant to the occurrence rates and severity of the risks. For instance, ABT has regulated that the bank shall not process a particular type of transaction, closing a position, or sale, or shall see to the transfer of a portion or the entirety of a particular risk to a third party through swaps, offsets or other methods. ABT has defined credit line for commodities, stop loss or stop privilege systems, and over limit processing procedures to ensure an effective control of market risks. The market risk management procedures of ABT include the identification, evaluation, assessment, monitoring, and reporting of risks. ABT needs to effectively identify the interest rates for traded products or transaction matters, stock prices, foreign exchange and commodity transaction prices, and other key risk factors. A uniform price assessment system has been used for an accurate evaluation of the incomes and losses of positions. Assessment procedures such as statistical analysis procedures and sensitivity analysis procedures have been established. Complete risk monitoring procedures have been defined and upon the discovery of over exposures and other risk management deficiencies or other special circumstances, matters are reported immediately. At the same time, we monitor general and specific transaction procedures, including transactions of the Finance Department and financial instruments, to determine whether changes of positions, changes in gains and loss, modes of transaction, and matters of transactions comply with regulations and are conducted within the authorized limits and scopes. Furthermore, through an internal reporting system, the Finance Department and the Risk Management Office regularly furnish a report to the information of the senior management level, the Risk Management Committee, and the Board of Directors.

2013

Item	Description
Market risk management organization and structure	<ol style="list-style-type: none"> Pursuant to the overall operating strategies and operating environment of ABT, the Board of Directors decides on management procedures and significant policies governing market risks to ensure the effective operation of market risk systems and conducts regular evaluation procedures on the matters. The senior management level is responsible for the following : implementation of market risk related management policies and structures of the Board of Directors ; monitoring and inspection of appropriateness of the respective management procedures ; and coordination of interdepartmental communications on market risk related management operations. The Assets and Liabilities Management Committee is composed of the president, the executive vice president, and the heads of the Finance Department, the Business Development Department, and the Risk Management Office ; the president serves as the meeting convener. The Committee is responsible for review of ABT' s policies governing deposits, loans, foreign exchange, and capital market transactions, sensitivity rations of interest rates, distribution of principal assets and liabilities upon maturity, and other significant policies. The Investment Review Committee is composed of the president, the executive vice president, and the heads of the Business Development Department, Risk Management office, Accounting Office, and Finance Department ; the president serves as the meeting convener. The Committee is responsible for review of the ABT' s investments in beneficiary securities, asset-based securities, foreign currency assets, convertible bond asset swap, credit-linked notes (CLN) , and structural instruments of recombination of standard contracts and credit-linked notes or other financial instrument packages, and other investments in negotiable securities. The Risk Management Committee controls the market risk management systems and reviews market risk related regulations, including the formulation and amendment of risk indicators and assessment procedures pursuant to the market risk management policies of the Board of Directors. The Finance Department is responsible for the following : implementation of risk identification, evaluation, and assessment (both quantitative and non-quantitative) procedures ; institution of the appropriate risk countermeasures (including risk hedging, risk transfer or offsetting, risk control, and risk acceptance) , observance of the related ABT regulations on market risk management ; implementation of department management, active monitoring of the different quota assignments, and presentation of related reports to senior management or the Risk Management Office as regulated. The Risk Management Office is specifically responsible for the following : management of overall market risks of ABT ; compilation, monitoring, and disclosure of ABT' s market risk information and policy implementation conditions ; presentation of regular reports to the Risk Management Committee and the Board of Directors ; and implementation of capital requirements for market risks and disclosure of risk related information as regulated by the competent authorities.
Scope and features of the market risk reporting and assessment system	<ol style="list-style-type: none"> The Finance Department prepares a daily or regular transaction information report to the heads of the respective departments as regulated. Moreover, it ensures accuracy and validity of the information therein contained. Moreover, the Finance Department shall immediately report deficiencies noted such as credit line exceeded or other irregularities. The Risk Management Office regularly prepares a report on the market risk management operations of ABT for the information of the Risk Management Committee and the Board of Directors. The reports normally contain information on the market risk position of ABT, risk standards, profit or loss status, credit line utilization and compliances to market risk related management regulations. In the event of significant market changes, the Finance Department shall immediately prepare the related report to minimize market risks and reduce possible company losses or disadvantages it may impose on the reputation of the bank.
The risk hedging or mitigation policies on market risks and strategies and implementation procedures for ensuring the sustained effectiveness of risk hedging and mitigation instruments	<ol style="list-style-type: none"> The present risk hedging transactions of ABT are mainly used to hedge risks from foreign exchange and interest rate fluctuations of foreign currency assets and securities investments. Hedging instruments used are primarily swap contracts of financial derivatives. In assessment of changes in risk hedging gains and losses, ABT evaluates the financial derivatives of hedging transactions pursuant to their assessed market values at least twice a month ; related reports are forwarded to the approval of senior management. ABT has defined management regulations for investments in negotiable securities businesses and has established a rational stop-loss system to intensify ABT' s decision-making capacity on domestic security investments and to enable the proper adjustment of investment packages, thereby reducing risks of ABT investments in domestic securities. For the enhancement of interest rate risk management operations, ABT conducts a routine analysis on the gap position and ratios of interest-rate-sensitive assets and liabilities (including deposits, loans, short-term investments, and borrowings) to reduce the interest rate risk.
Procedure for Regulatory Capital Requirement	ABT adopts the standardized approach to market risk for calculating capital charges.

2. Capital Requirement for Market Risk

December 31, 2013

Unit in NTD Thousand

Type of risk	Capital Requirement
Interest rate risk	1,572,229
Equity Security Risk	13,220
Foreign exchange risk	-
Commodity risk	-
Options by Simple Method	-
Total	1,585,449

E. Liquidity Risk Management

1. Liquidity Risk Management System

2013

Item	Description
Liquidity Risk Management Strategy and Procedures	<ol style="list-style-type: none"> Liquidity Risk Management Strategy ABT's liquidity risk management strategy is defined pursuant to the "Risk Management Policy," and a sound liquidity risk management mechanism is established based on the business scale and characteristics, asset and liability structures, capital movement strategies, diversified fund sources, and system support capability, thereby maintaining adequate liquidity and ensuring enough fund to fulfill the payment obligations under normal and stress scenarios. Liquidity Risk Management Processes ABT's liquidity risk management procedures include risk identification, assessment, evaluation, monitoring, and reporting. The departments of ABT shall identify existing liquidity risks in their business activities or financial products, and conduct liquidity risk management and evaluation using quantitative methods. In addition, reports should be regularly produced and submitted to the Assets and Liabilities Management Committee and the Board of Directors.
Liquidity Risk Management Organization and Structure	<ol style="list-style-type: none"> The Board of Directors periodically reviews and ratifies the liquidity risk management decisions based on the overall operating strategies and operating environment, thereby ensuring the effective implementation of the liquidity risk management mechanism. The Assets and Liabilities Management Committee is responsible for implementing the liquidity risk management decisions ratified by the Board of Directors, maintaining the effective operations of liquidity risk management procedures, periodically reviewing the liquidity risk management measures and operation procedures, and verifying the applicability and effectiveness. The Risk Management Committee takes charge of the liquidity risk management mechanism, reviews the liquidity risk regulations, and defines and amends the risk indicators and evaluation methods pursuant to the liquidity risk decisions made by the Board of Directors. The respective competent departments should take into consideration the liquidity risk management when defining the operating management regulations, and properly manage and oversee the necessary risk management operations of the business departments, thereby assisting the Risk Management Office in monitoring the overall liquidity risk of ABT. The Risk Management Office is responsible for establishing the overall risk management mechanism of ABT, compiling, monitoring and disclosing the liquidity risk information and implementation status of ABT, and periodically submitting reports to the Risk Management Committee and the Board of Directors.
Scope and Characteristics of Liquidity Risk Reports and Evaluation System	ABT has established the liquidity risk management indicators and warning mechanism in order to be able to implement response measures in a timely manner. Also, ABT periodically analyzes the fund gaps and changes in structures of assets and liabilities, and timely adjust the liquidity gaps based on changes in the flow of funds and market conditions, thereby ensuring the adequate liquidity. Moreover, ABT periodically submits reports to the Assets and Liabilities Management Committee and the Board of Directors.
Liquidity Risk Hedging or Risk Mitigation Policies, and Strategies and Procedures for Monitoring the Continued Effectiveness of Hedging and Risk Mitigation Tools	ABT has established the "Operational Crisis Response Measures" to prevent possible impact on the bank's repayment capability as a result of the mass withdrawal of deposits, massive loss of funds, or seriously inadequate liquidity.

2. Analysis of the Structure of Maturity (NTD)

December 31, 2013

Unit in NTD Thousand

	Total	Amount in days to maturity					
		0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 days ~ 180 year	181 days ~ 1 year	over 1 year
Primary capital inflow upon maturity	772,725,702	70,845,271	106,681,303	88,177,036	51,879,156	146,500,349	308,642,587
Primary capital outflow upon maturity	866,234,900	55,367,327	50,405,558	232,823,974	194,943,329	292,322,940	40,371,772
Maturity Gap	(93,509,198)	15,477,944	56,275,745	(144,646,938)	(143,064,173)	(145,822,591)	268,270,815

3. Analysis of the structure of maturity (USD)

December 31, 2013

Unit in USD Thousand

	Total	Amount in days to maturity				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181days ~ 1 year	over 1 year
Primary capital inflow upon maturity	\$ 10	10	-	-	-	-
Primary capital inflow upon maturity	-	-	-	-	-	-
Maturity Gap	10	10	-	-	-	-



Agricultural Bank of Taiwan



Mr. C.H. Chen (Chairperson)



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