Union Bank of Taiwan

**Financial Statements for the
Years Ended December 31, 2009 and 2008 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

We have audited the accompanying balance sheets of Union Bank of Taiwan (the "Bank") as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2009 and 2008 of some equity-method investees: Union Bills Finance Corporation, Union Finance International (H.K.) Limited, and Union Real-Estate Management Corporation. The carrying amounts of these equity-method investments were 0.39% (NT$1,358,448 thousand) and 0.36% (NT$1,300,876 thousand) of the Bank's total assets as of December 31, 2009 and 2008, respectively. The losses from these equity-method investments were 1.41% (NT$9,536 thousand) of the Bank's pretax income in 2009 and 8.33% (NT$149,119 thousand) of the pretax loss in 2008. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts pertaining to these investees and to these investees' information mentioned in Note 34, is based solely on the reports of the other auditors.

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

As stated in Notes 15 and 26 to the financial statements, the Bank sold a part of its nonperforming loans to an asset management company in 2006, and the Bank deferred related losses, amortizable over 60 months, as required by the Financial Institution Consolidation Law. Had these losses not been deferred, there would have been an increase of NT$1,587,340 thousand in pretax income in 2009 and a decrease of NT$1,587,356 thousand in pretax loss in 2008. Also, the balances of the other assets and unappropriated earnings as of December 31, 2009 and 2008 would have decreased by NT$2,552,920 thousand and NT$4,140,302 thousand, respectively.

In our opinion, based on our audits and the reports of the other auditors, except for the deferred losses on nonperforming loans described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the accompanying financial statements, the Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

As stated in Note 3 to the accompanying financial statements, effective January 1, 2008, the Bank adopted the newly released Statement of Financial Accounting Standards ("Standards" or SFAS) No. 34 - "Financial Instruments: Recognition and Measurement" and related revisions of previously released Standards, which were amended to harmonize with SFAS No. 34.

We have also audited the consolidated financial statements of Union Bank of Taiwan and subsidiaries as of and for the years ended December 31, 2009 and 2008, on which we have issued a qualified opinion in our report dated March 1, 2010.

March 1, 2010

<u>*Notice to Readers*</u>

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

UNION BANK OF TAIWAN

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009 Amount	2008 Amount	% Increase (Decrease)
CASH AND CASH EQUIVALENTS (Note 4)	$ 5,560,882	$ 6,345,996	(12)
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 26)	57,348,656	42,780,997	34
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 3, 6, 26 and 30)	400,971	7,675,019	(95)
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 26 and 28)	289,953	6,555,286	(96)
RECEIVABLES, NET (Notes 2, 7 and 26)	18,793,040	23,513,603	(20)
DISCOUNTS AND LOANS, NET (Notes 2, 8, 26 and 30)	169,959,853	180,012,904	(6)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 9, 26 and 30)	7,134,236	6,279,718	14
HELD-TO-MATURITY INVESTMENTS (Notes 2, 10 and 30)	9,724,545	36,318,287	(73)
INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Notes 2 and 11)	2,209,409	2,479,374	(11)
OTHER FINANCIAL ASSETS, NET (Notes 2, 12, 13, 26, 27 and 30)			
Financial assets carried at cost	1,270,885	1,283,956	(1)
No active market debt instruments	50,685,783	20,522,414	147
Others	5,177,318	2,731,046	90
Other financial assets, net	57,133,986	24,537,416	133
PROPERTY AND EQUIPMENT (Notes 2, 14, 26 and 28)			
Cost			
Land	3,552,631	3,619,738	(2)
Buildings	4,766,076	4,852,345	(2)
Machinery and equipment	1,413,579	1,452,436	(3)
Transportation equipment	261,585	257,446	2
Leasehold improvements	298,545	274,114	9
	10,292,416	10,456,079	(2)
Less: Accumulated depreciation	2,236,464	2,002,185	12
	8,055,952	8,453,894	(5)
Prepayments for land, buildings and equipment	218,682	57,333	281
Net property and equipment	8,274,634	8,511,227	(3)
GOODWILL (Notes 2 and 16)	2,369,638	2,507,396	(5)
OTHER ASSETS (Notes 2, 15 and 24)	7,930,237	10,173,726	(22)
TOTAL	$ 347,130,040	$ 357,690,949	(3)

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	2008 Amount	% Increase (Decrease)
LIABILITIES			
Call loans and due to banks (Notes 17 and 26)	$ 18,088,773	$ 20,074,203	(10)
Financial liabilities at fair value through profit or loss (Notes 2, 6 and 30)	81,243	212,904	(62)
Securities sold under repurchase agreements (Notes 2, 26 and 28)	26,415,907	27,843,332	(5)
Payables (Notes 18 and 26)	3,276,818	4,981,318	(34)
Deposits and remittances (Notes 19, 26 and 30)	271,124,191	277,751,334	(2)
Bank debentures (Notes 2, 20, 26 and 30)	9,900,000	9,044,300	9
Other financial liabilities (Notes 26 and 30)	242,363	220,896	10
Other liabilities (Notes 2 and 22)	470,515	473,441	(1)
Total liabilities	329,599,810	340,601,728	(3)
STOCKHOLDERS' EQUITY			
Capital stock			
Common stock at par value of NT$10 each, authorized - 3,000,000 thousand shares; issued and outstanding - 1,918,824 thousand shares	19,188,244	19,188,244	-
Preferred stock	4,000,000	4,000,000	-
Total capital stock	23,188,244	23,188,244	-
Capital surplus			
Donated capital	1,398	1,398	-
Treasury stock transactions	32,413	32,413	-
Total capital surplus	33,811	33,811	-
Accumulated deficit			
Legal reserve	-	107,812	(100)
Special reserve	-	240,655	(100)
Accumulated deficit	(5,651,650)	(6,256,003)	(10)
Total accumulated deficit	(5,651,650)	(5,907,536)	(4)
Other equity			
Unrealized gain (loss) on financial instruments	17,065	(244,849)	107
Cumulative translation adjustments	31,662	49,843	(36)
Net loss not recognized as pension cost	(88,902)	(30,292)	193
Total other equity	(40,175)	(225,298)	(82)
Total stockholders' equity	17,530,230	17,089,221	3
CONTINGENCIES AND COMMITMENTS (Notes 2 and 28)			
TOTAL	$ 347,130,040	$ 357,690,949	(3)

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 1, 2010)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2009 Amount	2008 Amount	%
INTEREST REVENUE (Notes 2 and 26)	$ 9,578,523	$ 14,796,137	(35)
INTEREST EXPENSE (Note 26)	3,735,662	7,502,445	(50)
NET INTEREST	5,842,861	7,293,692	(20)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues (Notes 2 and 26)	1,664,452	1,887,649	(12)
Commissions and fee expenses (Note 2)	447,074	559,079	(20)
Net commissions and fees	1,217,378	1,328,570	(8)
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	490,334	(190,886)	357
Realized gain (loss) on available-for-sale financial assets (Note 2)	484,012	(362,590)	233
Investment income (loss) recognized under the equity method, net (Notes 2 and 11)	57,831	(269,209)	121
Foreign exchange gain (loss), net (Note 2)	(169,955)	129,059	(232)
Impairment losses, net (Notes 2, 11, 12 and 16)	(75,970)	(1,084,101)	(93)
Gain on unquoted equity investments (Note 2)	37,063	28,529	30
Gain on disposal of collaterals assumed, net	50,411	71,382	(29)
Securities brokerage fee revenues, net (Note 26)	92,202	98,126	(6)
Consulting income (Note 26)	128,754	45,974	180
Refund from credit organization feedbacks (Note 12)	-	722,568	(100)
Amortization of loss on disposal of nonperforming loans (Note 15)	(1,587,340)	(1,587,356)	-
Other noninterest net revenues (Note 26)	102,376	41,504	147
Total net revenues	6,669,957	6,265,262	6
PROVISION (Note 8)	1,359,427	2,692,090	(50)
OPERATING EXPENSES			
Personnel expenses (Notes 2, 22 and 23)	2,103,722	2,226,992	(6)
Depreciation and amortization (Note 23)	440,388	489,110	(10)
Others (Note 26)	2,090,912	2,646,713	(21)
Total operating expenses	4,635,022	5,362,815	(14)
INCOME (LOSS) BEFORE INCOME TAX	675,508	(1,789,643)	138
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 24)	419,622	(579,679)	172
NET INCOME (LOSS)	$ 255,886	$ (1,209,964)	121

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	$ 0.35	$ 0.13	$ (0.93)	$ (0.63)
Diluted	$ 0.29	$ 0.11	$ -	$ -

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 1, 2010) (Concluded)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	Issued and Outstanding Common Stock		Issued and Outstanding Preferred Stock (Notes 2 and 21)		Capital Surplus (Notes 2 and 21)			Accumulated Deficit (Notes 2 and 21)				Other Equity				
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Donated Capital	Treasury Stock Transaction	Total	Legal Reserve	Special Reserve	Accumulated Deficit	Total	Unrealized Gain (Loss) on Financial Assets (Notes 2, 11 and 30)	Cumulative Translation Adjustment (Note 2)	Net Loss not Recognized as Pension Cost (Note 2)	Total	Total Stockholders' Equity
BALANCE, JANUARY 1, 2008	1,918,824	$ 19,188,244	400,000	$ 3,672,800	$ 1,398	$ 32,413	$ 33,811	$ 107,812	$ 240,655	$ (5,046,039)	$ (4,697,572)	$ (124,678)	$ 39,243	$ (13,936)	$ (99,371)	$ 18,097,912
Net loss in 2008	-	-	-	-	-	-	-	-	-	(1,209,964)	(1,209,964)	-	-	-	-	(1,209,964)
Change in unrealized gain (loss) on available for sale finance assets	-	-	-	-	-	-	-	-	-	-	-	(56,629)	-	-	(56,629)	(56,629)
Change in recognition of unrealized gain (loss) on financial assets - equity-method investments	-	-	-	-	-	-	-	-	-	-	-	(63,542)	-	-	(63,542)	(63,542)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,356)	(16,356)	(16,356)
Reclassification of preferred stock	-	-	-	327,200	-	-	-	-	-	-	-	-	-	-	-	327,200
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	10,600	-	10,600	10,600
BALANCE, DECEMBER 31, 2008	1,918,824	19,188,244	400,000	4,000,000	1,398	32,413	33,811	107,812	240,655	(6,256,003)	(5,907,536)	(244,849)	49,843	(30,292)	(225,298)	17,089,221
Appropriation of the 2008 earnings																
Legal reserve	-	-	-	-	-	-	-	(107,812)	-	107,812	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(240,655)	240,655	-	-	-	-	-	-
Net income in 2009	-	-	-	-	-	-	-	-	-	255,886	255,886	-	-	-	-	255,886
Change in unrealized gain (loss) on available for sale finance assets	-	-	-	-	-	-	-	-	-	-	-	162,900	-	-	162,900	162,900
Change in recognition of unrealized gain (loss) on financial assets - equity-method investments	-	-	-	-	-	-	-	-	-	-	-	99,014	-	-	99,014	99,014
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	(58,610)	(58,610)	(58,610)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(18,181)	-	(18,181)	(18,181)
BALANCE, DECEMBER 31, 2009	1,918,824	$ 19,188,244	400,000	$ 4,000,000	$ 1,398	$ 32,413	$ 33,811	$ -	$ -	$ (5,651,650)	$ (5,651,650)	$ 17,065	$ 31,662	$ (88,902)	$ (40,175)	$ 17,530,230

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 1, 2010)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 255,886	$ (1,209,964)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	440,388	489,110
Provision for credit and other losses	1,365,450	2,694,587
Amortization of premium on available-for-sale financial assets	64,981	44,393
Amortization of premium (discount) on held-to-maturity investments	15,368	(1,745)
Amortization of premium (discount) on no-active market debt instruments	38,801	(8,303)
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	163,332	(344,306)
Realized loss (gain) on sale of available-for-sale financial assets	(484,012)	362,590
Investment loss (income) recognized under the equity method investments, net	(57,831)	269,209
Cash dividends received from equity-method investees	48,037	144,873
Impairment losses on assets, net	75,970	1,084,101
Amortization and recognition of loss from disposal of nonperforming loans	1,587,340	1,587,356
Gain on disposal of collaterals assumed, net	(50,411)	(71,382)
Loss (gain) on disposal of property and equipment, net	(33,443)	739
Loss from the obsolescence of property and equipment	2,617	2,507
Deferred income taxes	427,298	(597,326)
Changes in operating assets and liabilities		
Held-for-trading financial assets	6,813,445	(3,955,289)
Receivables	3,663,361	4,188,334
Held for trading financial liabilities	(572)	(433)
Payables	(1,704,500)	205,218
Accrued pension cost	1,187	(16)
Net cash provided by operating activities	12,632,692	4,884,253
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from the Central Bank and other banks	(14,567,659)	(20,229,575)
Decrease (increase) in financial assets designated at fair value through profit or loss	166,182	(129,806)
Decrease (increase) in securities purchased under resell agreements	6,265,333	(691,554)
Decrease in discounts and loans	9,723,654	24,034,156
Proceeds from disposal of available-for-sale financial assets	18,092,440	4,609,606
Capital return on available-for-sale financial assets	495,000	240,000
Acquisition of available-for-sale financial assets	(18,860,027)	(5,759,150)
Capital return on held-to-maturity investments	26,979,549	12,695,210
Acquisition of held-to-maturity investments	(252,375)	(106,811)
Proceeds of the capital reduction of equity-method investments	355,357	-

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UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
Proceeds of the capital reduction and liquidation of investee	$ 2,793	$ 9,342
Acquisition of unquoted equity instruments	-	(332,088)
Received principal on no-active market debt instruments	49,928,919	2,639,711
Acquisition of no-active market debt instruments	(80,131,089)	(21,766,641)
Decrease (increase) in other financial assets	(2,595,072)	402,863
Acquisition of property and equipment	(227,417)	(306,019)
Proceeds of the disposal of property and equipment	172,456	41,786
Proceeds of the disposal of collaterals assumed	274,487	493,603
Increase in other assets	(11,061)	(7,434)
Net cash used in investing activities	(4,188,530)	(4,162,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in call loans and due to banks	(1,985,430)	(7,012,616)
Decrease in securities sold under repurchase agreements	(1,427,425)	(5,021,927)
Increase (decrease) in deposits and remittances	(6,627,143)	13,796,899
Increase (decrease) in other financial liabilities	21,467	(33,684)
Decrease in other liabilities	(66,445)	(123,529)
Issuance of bank debentures	900,000	-
Decrease in bank debentures	(44,300)	(1,482,100)
Net cash provided by (used in) financing activities	(9,229,276)	123,043
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(785,114)	844,495
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,345,996	5,501,501
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,560,882	$ 6,345,996
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 4,887,084	$ 7,530,016
Income tax paid	$ 59,096	$ 87,829

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 1, 2010) (Concluded)

1. ORGANIZATION AND OPERATIONS

Union Bank of Taiwan (the "Bank") obtained approval from the Ministry of Finance (MOF) to be established on August 1, 1991 and was incorporated on December 31, 1991. It started operations on January 21, 1992.

The Bank engages in activities allowed under the Banking Law: Deposits, loans, discounts, remittances, acceptances, issuance of guarantees and letters of credit, short-term bill transactions, investments, foreign exchange transactions, savings, trust, etc.

The Bank took over all assets, liabilities and operating units of Chung Shing Bank on March 19, 2005.

As of December 31, 2009, the Bank's operating units included Banking, Trust, Wealth Management, Security Finance and International Banking Department of the Head Office, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 83 domestic branches.

The operations of the Bank's Trust Department are (1) trust business planning, managing and operating; and (2) custody of non-discretionary trust funds in domestic and overseas securities and mutual funds. These foregoing operations are regulated under the Banking Law and Trust Law.

The Bank's shares are traded on the Taiwan Stock Exchange.

As of December 31, 2009 and 2008, the Bank had 2,908 and 3,081 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines, law and principles, certain estimates and assumptions have been used for the amounts of the fair value of certain financial assets, allowance for credit losses, property and equipment depreciation, pension cost, losses on pending lawsuits, assets impairment, income tax, provision for losses on guarantees, bonuses to employees, director and supervisors, etc. Actual results may differ from these estimates.

Since the operating cycle cannot be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 30 for maturity analysis of assets and liabilities.

Significant accounting policies are summarized as follows:

Basis of Financial Statement Preparation

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and the representative offices. All interoffice transactions and balances have been eliminated.

Basis of Fair Value Determination

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market or Bloomberg; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Bank recognizes a financial asset or a financial liability on its balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Bank has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, canceled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except for bond trading.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Financial asset and financial liabilities that give rise to offsetting changes in fair values may be designated as financial instruments at fair value through profit or loss to eliminate inconsistencies in measuring these instruments. Some derivative instruments are not accounted by hedge accounting. If the hedging items were not to be designated as financial instruments at fair value through profit or loss, the accounting inconsistency will arise while the profits or losses resulting from the hedged items are not recognized during the same period with those generating from the hedging items. To avoid this kind of inconsistency, the Bank designated the debt investments as the financial instruments at fair value through profit or loss.

Securities Purchased or Sold Under Resell or Repurchase Agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resell agreements and interest incurred on repurchase agreement is recognized as interest income or interest expense over the life of each agreement.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date after the initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. Except for bond investments accounted for under the settlement date basis, all regular purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Nonperforming Loans

Pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluation Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the Ministry of Finance, the balances of loans and other credits extended by the Bank and the related accrued interest are classified as nonperforming when the loan is overdue and shall be authorized by a resolution passed by the board of directors. Nonperforming loans reclassified from loans are classified as discounts and loans; otherwise, are classified as other financial assets.

Allowance for Credit Losses and Provision for Losses on Guarantees

In determining the allowance for credit losses and provision for losses on guarantees, the Bank assesses the collectibility on the balances of discounts and loans, receivables, nonperforming loans, and other financial assets as well as guarantees and acceptances for the specific risks or general risks as of the balance sheet dates.

Pursuant to the regulations issued by Ministry of Finance (MOF), the Bank evaluates credit losses on the basis of the estimated collectibility.

The MOF regulations also require the grouping of loans into these five classes: Normal, special mention, substandard, with doubtful collectibility and loss incurring; the minimum allowances for credit losses and provision for losses on guarantees for the non-normal loans should be 2%, 10%, 50% and 100% of outstanding credits, respectively.

Write-offs of loans falling under the MOF guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses.

Held-to-maturity Investments

Held-to-maturity financial assets are carried at amortized cost using the effective interest method (or, straight-line method can be used if there will be no significant difference). Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular purchases or sales of financial assets are accounted for using the settlement date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Investments Accounted for by the Equity Method

Investments in which the Bank holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or change in net worth of investees.

Before January 1, 2006, the difference between the acquisition cost and the Bank's proportionate share in the investee's equity was amortized by the straight-line method over 15 years. Effective January 1, 2006, based on the revised Statement of Financial Accounting Standard No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, or pension prepayments or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Also effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium need no longer be amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Bank's percentage of ownership in the investee; however, if the Bank has control over the investee, all the profits are eliminated. Profits from upstream transactions with equity-method investees, including those over which the Bank has control, are eliminated in proportion to the Bank's percentages of ownership of the investees.

When the Bank subscribes for its investee's newly issued shares at a percentage different from its current percentage of ownership in the investee, the Bank records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Bank's share in losses of an investee over which the Bank has significant influence equals its investment in that investee plus any advances made to the investee, the Bank discontinues applying the equity method. However, the Bank continues to recognize its share in losses of the investee if (a) the Bank commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

When the Bank's share in the losses of an investee over which the Bank has control exceeds its investment in the investee, unless the other stockholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Bank has to bear all of the losses in excess of the capital contributed by the stockholders of the investee. If the investee reports profits, the Bank to the extent of the excess losses previously borne by the Bank.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Major additions and improvements to property and equipment are capitalized, while repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings and improvements, 50 to 55 years; machinery and equipment, 3 to 5 years; transportation equipment, 3 to 5 years; and leasehold improvements, 5 years. Property and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

Upon sale or disposal of property and equipment, their cost and related accumulated depreciation are removed from the respective accounts. Any resulting gain (loss) is credited (charged) to current income.

Other Financial Assets

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. The accounting treatment for such bond investments is the same with that for held-to-maturity financial assets, except for the absence of restriction on the timing of their disposal.

Goodwill

Goodwill arising on the acquisition of another company was previously amortized over the estimated life of five years. Effective January 1, 2006, based on the newly released Statement of Financial Accounting Standards No. 37 - “Intangible Assets,” goodwill is no longer amortized and instead is tested for impairment annually.

Other Assets

Deferred charges, which include costs of computer system software and telephone installation, are amortized on the straight-line basis over five years.

The loss on sale of nonperforming loans should be recognized in the year of disposal to comply with accounting principles generally accepted in the Republic of China. In addition, the difference between the carrying amount and selling price of the nonperforming loans disposed of in 2006 was amortized over 60 months in accordance with Rule No. 15 of the Financial Institution Consolidation Law (Note 15).

Collaterals Assumed

Collaterals assumed (included in other assets) are recorded at cost, which includes the assumed prices and any necessary repairs to make the collaterals saleable, and evaluated at the lower of cost or net realizable value as of balance sheet dates.

Impairment of Assets

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If an impairment loss reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment loss is charged to earnings, but, if the asset is carried at a revalued amount, the impairment loss is first treated as a deduction from the unrealized revaluation increment, and any remaining loss is charged to earnings. A reversal of an impairment loss for the asset carried at a revalued amount is first recognized as a gain to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment.

For impairment testing, goodwill is allocated to each of the relevant cash-generating units (CGUs) that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For the impairment testing of long-term equity investments on which the Bank has significant influence but over which it has no control, the carrying amount (including goodwill) of each investment is compared with its recoverable amount.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Convertible Bank Debentures

The entire proceeds from convertible bonds issued on or before December 31, 2005 were accounted for as a liability. The difference between the agreed redemption price and the face value of the bonds is accrued using the effective interest method over the year from the issue date of the bonds to the date the put option becomes exercisable. The conversion of bonds into common shares is accounted for using the book value method, whereby the difference between the book value of the bonds (net of any unamortized premiums or discounts, accrued interest, and unamortized transaction costs) and the par value of the common shares issued is recorded as capital surplus.

Compound Instruments

The components of compound instruments are treated separately as liabilities and equity instrument in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar noncompound instrument (including any embedded non-equity derivatives). This fair value is recorded as a liability on an amortized cost basis until the liability is extinguished on instrument conversion or maturity. The carrying value of the equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This carrying value is recognized and included in equity and is not subsequently remeasured.

Based on the newly released Statement of Financial Accounting Standards No. 36 - "Financial Instruments: Disclosure and Presentation," transaction costs of bonds issued on or after January 1, 2006 are allocated in proportion to the liability and equity components of the bonds.

Trading Loss Reserve

Reserve for losses on the sale of bonds is computed at 10% of the net gain on the sale of bonds until the balance of the reserve reaches $200,000 thousand. This reserve should be used only to offset actual losses on the sale of the bonds.

Recognition of Interest Revenue and Service Fees

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on these loans/credits is recognized upon collection.

Under a Ministry of Finance regulation, the interest revenue on credits covered by agreements that extend their repayment periods is recorded as deferred revenue (included in other liabilities) and recognized as revenue upon collection.

Service fees are recorded as revenue upon receipt and substantial completion of activities involved in the earnings process.

Income Tax

Inter-period income tax allocation is applied, by which tax effects of deductible temporary differences, unused investment tax credits, loss carryforwards and those charged against to the stockholders' equity are recognized as deferred income tax assets. The tax effects of taxable temporary differences and these charged directly to the stockholders' equity are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Tax credits for research and development and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Separate taxes on interest revenue from short-term bills or beneficiary certificates of specific trust are included in the current year's tax expense.

Based on the Income Tax Law, unappropriated earnings are subject to an additional 10% income tax in the year the stockholders approve to retain these earnings.

Foreign-currency Transactions

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Bank. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

Contingencies

A loss is recognized if it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the impairment loss or liability incurrence is possible and the related amount cannot be reasonably estimated, a footnote disclosure of the circumstances that might give rise to the possible loss or liability should be made.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2009.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting and Research Development Foundation issued Interpretation 2007-052, which requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change did not affect the net loss for the year ended December 31, 2009.

Accounting for Financial Instruments

On July 1, 2008, the Bank adopted the newly amended Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The amendments to SFAS 34 mainly deal with reclassifications of financial assets at fair value through profit or loss that are held for trading. Please see Note 30 for relevant information. The effects of this accounting change were as follows:

	Years Ended December 31	
	2009	**2008**
Increase in income before tax/decrease in loss before tax	$ 18,646	$ 199,525
Increase in net income/decrease in net loss	$ 13,985	$ 149,644
Increase in after-income tax basic earnings per share decrease in after income tax basic losses per share (in New Taiwan dollars)	$ 0.007	$ 0.078

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	**2008**
Cash on hand	$ 3,498,682	$ 3,781,165
Checks for clearing	1,264,387	1,700,052
Due from banks	797,813	864,779
	$ 5,560,882	$ 6,345,996

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2009	2008
Due from the Central Bank		
Deposit reserve - checking account	$ 3,109,340	$ 5,993,454
Required deposit reserve	6,907,140	6,839,887
Deposits reserve - foreign-currency deposits	32,176	32,774
Deposit account in Central Bank	47,300,000	29,800,000
	57,348,656	42,666,115
Call loans to banks and bank's overdrafts	-	114,882
	$ 57,348,656	$ 42,780,997

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD)-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earning.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	2008
Financial assets held for trading		
Domestic quoted stocks	$ 131,245	$ -
Commercial paper	19,989	4,568,779
Government bonds	-	2,183,886
Corporate bonds	-	52,672
Forward exchange contracts	76,466	539,949
Interest exchange contracts	26,484	44,539
Currency swap contracts	5,333	5,610
Option contracts	2,529	352
	262,046	7,395,787
Financial assets designated at fair value through profit or loss		
Corporate bonds	138,925	279,232
	$ 400,971	$ 7,675,019
Financial liabilities held for trading		
Forward exchange contracts	$ 17,111	$ 93,132
Interest exchange contracts	61,015	87,683
Currency swap contracts	588	31,737
Option contracts	2,529	352
	$ 81,243	$ 212,904

The Bank engages in derivative transactions during the years ended December 31, 2009 and 2008 mainly for accommodating customers' needs and managing its exposure positions. The financial risk management object of the Bank is to minimize risks due to changes in fair value or cash flows.

The contract amounts (notional amounts) of derivative transactions for accommodating customers' needs and managing its exposure positions as of December 31, 2009 and 2008 were as follows:

	December 31	
	2009	**2008**
Currency swap contracts	$ 11,414,710	$ 7,534,354
Forward exchange contracts	1,678,283	11,864,111
Interest exchange contracts	3,700,000	4,900,000
Options contracts		
Buy	410,244	397,462
Sell	410,244	397,462

The gains or loss on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2009 and 2008 were as follows:

	2009	**2008**
Net gain on financial assets at fair value through profit or loss	$ 23,518	$ 3,024
Net gain (loss) on financial liabilities at fair value through profit or loss	466,816	(193,910)
Gain (loss), net	$ 490,334	$ (190,886)
Realized gain (loss)	$ 653,666	$ (535,192)
Unrealized gain (loss)	(163,332)	344,306
Gain (loss), net	$ 490,334	$ (190,886)

As of December 31, 2008, the Bank's financial instruments at fair value through profit or loss amounting to $1,232,260 thousand had been sold under repurchase agreements.

7. RECEIVABLES, NET

	December 31	
	2009	**2008**
Accounts receivable	$ 17,255,775	$ 21,313,595
Interest receivable	707,539	1,086,825
Receivable on disposal of property and equipment	487,534	644,029
Inter-bank clearing fund receivable	300,877	306,947
Income tax refund receivable	265,384	213,072
Acceptances receivable	129,238	217,285
Collection receivable	77,503	72,181
Others	313,897	246,754
	19,537,747	24,100,688
Less: Allowance for credit losses	744,707	587,085
	$ 18,793,040	$ 23,513,603

8. DISCOUNTS AND LOANS, NET

		December 31	
		2009	2008
Discounts and overdraft		$ 862,182	$ 530,559
Accounts receivable - financing		209,170	337,953
Loans			
Short-term	- unsecured	7,578,087	9,026,721
	- secured	21,501,759	22,673,668
Medium-term	- unsecured	10,982,521	15,913,664
	- secured	14,268,864	12,320,730
Long-term	- unsecured	11,493,298	12,354,824
	- secured	100,803,739	105,016,847
Import and export negotiations		45,163	78,925
Overdue loans		3,815,121	4,530,159
		171,559,904	182,784,050
Less: Allowance for credit losses		1,600,051	2,771,146
		$ 169,959,853	$ 180,012,904

As of December 31, 2009 and 2008, the balances of nonaccrual loans were $3,815,121 thousand and $4,530,159 thousand, respectively. The unrecognized interest revenues on nonperforming loans amounted to $120,646 thousand in 2009 and $191,782 thousand in 2008.

In 2009 and 2008, the Bank wrote off certain credits after completing the required legal procedures.

The changes in the allowance for credit losses on discounts and loans, receivables and overdue receivables are summarized as follows:

	2009		
	Specific Provision	General Provision	Total
Balance, beginning of year	$ 3,376,015	$ 76,965	$ 3,452,980
Provision	1,049,252	310,175	1,359,427
Write-off	(3,162,495)	-	(3,162,495)
Recovery of written-off credits	786,431	-	786,431
Effects of changes in foreign exchange rates	1,368	-	1,368
Balance, end of year (Note)	$ 2,050,571	$ 387,140	$ 2,437,711

	2008		
	Specific Provision	General Provision	Total
Balance, beginning of year	$ 3,157,535	$ 1,184,058	$ 4,341,593
Provision	2,692,090	-	2,692,090
Write-off	(4,145,290)	(107,093)	(4,252,383)
Recovery of written-off credits	671,056	-	671,056
Classification	1,000,000	(1,000,000)	-
Effects of changes in foreign exchange rates	624	-	624
Balance, end of year (Note)	$ 3,376,015	$ 76,965	$ 3,452,980

Note: As of December 31, 2009 and 2008, the balances of the allowance for credit losses on overdue receivables were $92,953 thousand and $94,749 thousand, respectively.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Debt investments - government bonds	$ 3,186,397	$ 3,610,746
Debt investments - corporate bonds	2,595,199	1,257,844
Mutual funds	996,591	891,028
Domestic quoted stock	342,777	71,277
Beneficiary certificates of securitization	13,272	47,300
Debt investments - bank debentures	-	401,523
	$ 7,134,236	$ 6,279,718

The available-for-sale financial assets amounting to $375,015 thousand and $2,293,065 thousand as of December 31, 2009 and 2008, respectively, had been sold under repurchase agreements.

10. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2009	2008
Asset based securities	$ 8,248,884	$ 35,226,109
Government bonds	1,275,828	1,092,178
Corporate bonds	199,833	-
	$ 9,724,545	$ 36,318,287

The held-to-maturity investments amounting to $7,984,203 thousand and $21,049,127 thousand as of December 31, 2009 and 2008, respectively, had been sold under repurchase agreements.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2009		2008	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
Union Bills Finance Corporation	$ 1,214,881	42.76	$ 1,152,724	42.76
Union Finance and Leasing International Corporation	751,503	100.00	1,035,276	100.00
Union Finance International (H.K.) Limited	81,590	99.99	81,992	99.99
Union Real-Estate Management Corporation	61,977	40.00	66,160	40.00
Union Security Investment Trust Corporation	54,041	35.00	40,698	35.00
Union Information Technology Corporation	24,593	99.99	72,412	99.99
Union Insurance Broker Company	20,824	100.00	30,112	100.00
Morgan Stanley Union Bank Asset Management Corporation	-	-	-	49.00
	$ 2,209,409		$ 2,479,374	

Investment income (loss) recognized under the equity method was as follows:

	Years Ended December 31	
	2009	2008
Union Bills Finance Corporation	$ 17,181	$ (159,869)
Union Finance and Leasing International Corporation	43,601	13,272
Union Finance International (H.K.) Limited	(35,831)	(4,056)
Union Real-Estate Management Corporation	9,114	14,806
Union Security Investment Trust Corporation	13,343	(68,988)
Union Information Technology Corporation	(4,887)	(515)
Union Insurance Broker Company	15,310	10,919
Morgan Stanley Union Bank Asset Management Corporation	-	(74,778)
	$ 57,831	$ (269,209)

The investment income (loss) for 2009 and 2008 was based on the investees' financial statements for the same reporting periods as those of the Bank, which had been audited by auditors.

On the available-for-sale financial assets held by the Bank's subsidiaries, the unrealized gain of $99,014 thousand in 2009 and the unrealized loss of $63,542 thousand in 2008 were included in stockholders' equity.

To use capital more effectively and enhance their organization structure, Union Information Technology Corporation (UITC), Union Finance and Leasing International Corporation (UFLIC) and Union Insurance Broker Company (UIBC) reduced their capital in March 2009. As a result, the Bank expected to receive capital refunds of $39,997 thousand from UITC; $300,000 thousand from UFLIC; and $15,360 thousand, from UIBC.

On November 25, 2009, Morgan Stanley Union Bank Asset Management Corporation (MSUAC) declared a capital reduction to offset its deficit. After the capital reduction, the Bank disposed of the remaining 0.49.

On February 21, 2002, the Bank began to amortize the cost of investment in UITC that was in excess of the investment equity. In 2009, the Bank recognized an impairment loss of $2,934 thousand on the remaining amortized amount.

12. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2009	2008
Unquoted stocks		
Entie Securities Finance Company	$ 492,298	$ 492,298
VISA Inc.	331,342	331,342
Financial Information Service Company	118,782	118,782
Taiwan Asset Management Corporation	100,000	100,000
Taiwan Future Exchange Corporation	71,250	71,250
Taiwan Financial Asset Service Corporation	50,000	50,000
Other	107,213	120,284
	$ 1,270,885	$ 1,283,956

The above equity investments, which had no quoted prices in an active market and had fair values that could not be reliably measured, were carried at cost. The Bank recognized impairment losses of $5,481 thousand on the investment of Global Securities Finance Company and $4,796 thousand on the investment of Liyu Venture Capital Company in 2009, respectively. In 2008, the Bank recognized an impairment loss of $129,890 thousand on the investment of Entie Securities Finance Company.

On September 14, 2009, the board of directors of Entie Securities Finance Company ("Entie Finance"), an investee of the Bank, made a resolution to enter into a merger contract with the Capital Group at a share swap ratio of 1.4086:1, with "1" referring to the survivor entity, Capital Group. The merger date was set for March 1, 2010.

As a member of Visa Inc. and MasterCard Worldwide, the Bank was paid and recognized in 2008 the income of $722,568 thousand on 234,842 shares of Visa Inc. and 754 shares of MasterCard Worldwide and $390,480 thousand in cash. The shares were held in the name of National Credit Card Center of R.O.C., which is a major member of Visa Inc. and MasterCard Worldwide.

13. NO-ACTIVE MARKET DEBT INSTRUMENTS

	December 31	
	2009	2008
Asset-based securities	$ 49,384,867	$ 19,186,815
Asset-backed commercial paper	2,246,258	2,246,258
Securitized beneficiary certificates of securitization	17,047	51,730
	51,648,172	21,484,803
Less: Accumulated impairment	962,389	962,389
	$ 50,685,783	$ 20,522,414

As of December 31, 2009 and 2008, the no-active market debt instruments amounting to $20,990,451 thousand and $15,463,147 thousand, respectively, had been sold under repurchase agreements.

14. PROPERTY AND EQUIPMENT

	December 31	
	2009	2008
Cost	$ 10,292,416	$ 10,456,079
Less: Accumulated depreciation		
Buildings	635,702	543,549
Machinery and equipment	1,190,864	1,130,384
Transportation equipment	197,769	172,246
Leasehold improvements	212,129	156,006
	2,236,464	2,002,185
Prepayments for land, buildings and equipment	218,682	57,333
Net property and equipment	$ 8,274,634	$ 8,511,227

15. OTHER ASSETS

	December 31	
	2009	2008
Deferred tax assets, net (Note 24)	$ 3,543,109	$ 3,970,407
Deferred loss from disposal of nonperforming loans	2,552,920	4,140,302
Collaterals assumed, net	1,459,440	1,581,344
Deferred charges	246,935	313,820
Prepayments	124,763	166,952
Other	3,070	901
	$ 7,930,237	$ 10,173,726

In 2006, the Bank sold to Morgan Stanley Union Bank Asset Management Corporation ("MSUB") nonperforming loans with a carrying value of $9,557,282 thousand at the contract price of $1,610,025 thousand and recognized a loss of $7,947,257 thousand. The Bank deferred and amortized the losses over 60 months in accordance with the Financial Institution Consolidation Law. The remaining unamortized balance was recorded as other assets. Had the losses not been deferred, the pretax income in 2009 would have increased by $1,587,340 thousand; the pretax loss in 2008 would have decreased by $1,587,356 thousand; and the balances of the other assets and unappropriated earnings as of December 31, 2009 and 2008 would have decreased by $2,552,920 thousand and $4,140,302 thousand, respectively.

As of December 31, 2009 and 2008, the remaining payments of $487,530 thousand and $644,025 thousand, respectively, on the above remainder transaction amount had not been received from MSUB.

16. GOODWILL

The Bank acquired Chung Shing Bank ("Chung Shing") on March 19, 2005, and the recognized goodwill amounting to $3,309,000 thousand. The goodwill amortization period was five years, and the amortization expense in 2005 was $551,500 thousand. However, goodwill need no longer be amortized from January 1, 2006.

For the impairment test on Chung Shing, the Bank treated individual business units as cash-generating units (CGUs). Goodwill, which resulted from assuming the assets and liabilities of Chung Shing, was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the forecast cash flows for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of Chung Shing's present operations and will be adjusted depending on the business outlook and economic trends.

As a result of the impairment test, the Bank recognized a goodwill impairment loss of $137,758 thousand in 2009. As of December 31, 2009 and 2008, the balances of accumulated impairment were $387,862 thousand and $250,104 thousand, respectively.

17. CALL LOANS AND DUE TO BANKS

	December 31	
	2009	2008
Due to Chunghwa Post Co., Ltd.	$ 16,273,300	$ 19,841,503
Call loans	1,618,288	196,644
Due to the Central Bank and other banks	141,682	35,466
Overdraft	55,503	590
	$ 18,088,773	$ 20,074,203

18. PAYABLES

	December 31	
	2009	2008
Notes and checks in clearing	$ 1,264,387	$ 1,700,141
Interest payable	767,722	1,919,145
Accrued expenses	309,113	319,488
Collection payable	205,484	151,503
Accounts payable on wire transfers received	138,876	153,213
Bank acceptances payable	133,449	216,684
Tax payable	64,601	83,995
Others	393,186	437,149
	$ 3,276,818	$ 4,981,318

19. DEPOSITS AND REMITTANCES

	December 31	
	2009	2008
Savings deposits	$ 181,780,101	$ 183,277,224
Time deposits	52,241,759	63,871,136
Demand deposits	32,849,935	25,673,552
Checking deposits	3,583,960	2,963,714
Negotiable certificates of deposit	595,700	1,949,600
Inward and outward remittances	72,736	16,108
	$ 271,124,191	$ 277,751,334

20. BANK DEBENTURES

	December 31 2009	December 31 2008	Term
First unsecured, convertible bank debentures issued in 2004	$ -	$ 44,300	Zero coupon; maturity: September 2009; the bondholders may convert the debentures into common shares of the Bank during the period between one month after the issuance date and 10 days prior to maturity.
First subordinated bank debentures issued in 2004	1,500,000	1,500,000	Average one year time savings deposit rate of First Bank, Hua Nan Bank, Chang Hwa Bank, Land Bank, Taiwan Cooperative Bank and Bank of Taiwan plus 1%; maturity: June 2010.
Second subordinated bank debentures issued in 2004	3,500,000	3,500,000	Fixed interest rate of 3.55%; maturity: June 2010.
First subordinated bank debentures issued in 2005	2,000,000	2,000,000	Fixed interest rate of 2.60%; maturity: June 2011.
First subordinated bank debentures issued in 2006 - class A	1,200,000	1,200,000	Fixed interest rate of 2.60%; maturity: May 2012.
First subordinated bank debentures issued in 2006 - class B	800,000	800,000	One year time savings deposit rate of First Bank plus 0.3%; maturity: November 2013.
First subordinated bank debentures issued in 2009	900,000	-	Fixed interest rate of 2.95%; maturity: June 2016.
	$ 9,900,000	$ 9,044,300	

The Bank issued $3,000,000 thousand of zero coupon par valued convertible bank debentures (the "Debentures") in the denomination of $100 thousand each on September 13, 2004. Other issue terms were as follows:

a. Redemption terms

Unless redeemed, purchased or converted before maturity, the Debentures will be redeemed on maturity at the par value.

1) Early redemption at the option of the Bank: The Debentures may be wholly or partly redeemed at their par amount, at the Bank's option under any of these conditions:

a) After one year from the issue date and before 40 days prior to maturity, the balance of unconverted debentures is lower than $300,000 thousand.

b) After one year from the issue date and before 40 days prior to maturity, the closing prices of the Bank's common shares on the Taiwan Stock Exchange for 30 consecutive trading days have exceeded 50% of the conversion price.

2) Redemption at the option of the bondholders: In the second, third and fourth year of the issue date is the "put date." The Bank will redeem all or any portion of the Debentures at par value; yield rate of 0%.

As of December 31, 2009 the Bank redeemed $1,760,400 thousand of the Debentures.

b. Pledged: None.

c. Conversion period and conversion right

   Except during the closed period or suspension period, the bondholders may convert the Debentures into common shares of the Bank at any time between one month after issuance date and 10 days before the conversion date.

d. Conversion price

   The initial conversion price was set at NT$10.85.

   The conversion price is subject to adjustment based on certain terms of the related indenture. As of September 3, 2009, the conversion price was NT$8.57.

   The bondholders had converted the Debentures amounting to $1,195,300 thousand into 129,898 thousand common shares as of September 3, 2009.

e. The Debentures with a face value of $44,300 thousand had been redeemed on the maturity - September 13, 2009.

To increase its long-term fund and enhance its capital adequacy ratio, the Bank proposed the issuance of 5- to 10-year subordinated bank debentures at par, and this proposal got the approval by the Bank's board of directors on July 22, 2009 and by the Financial Supervisory Commission, Executive Yuan under Bank Bureau's letter (Ref. No. 09800384990). The amount of bonds issued should not be greater than the decrease of the Bank's subordinated debentures and the bonds should be issued within one year upon approval; otherwise, the permission for issuance will be canceled. The Bank issued the first tranche of the 2009 subordinated bank debentures with a face value of $900,000 thousand on December 30, 2009.

21. STOCKHOLDERS' EQUITY

a. In the stockholders' meeting on June 15, 2007, the stockholders resolved to raise publicly or privately the Bank's cash capital by $8,000,000 thousand through a one-time or a serial share issuance depending on the market situation. On September 26, 2007, the Bank privately issued 400,000 thousand preferred shares at NT$10 par value and 6% dividend rate.

   Under the Bank's Articles of Incorporation, after the Bank appropriates the legal and special reserves from its net income (less any deficit), the Bank should use part of the remainder as dividends to the preferred stockholders. The preferred stockholders can participate in the distribution of the remaining earnings at the ratio of one preferred share for one common share after earnings distribution to the common stockholders but cannot participate in the distribution of capital surplus transferred to common stock. A preferred share can be converted into one common share for the next year of the issuance date. The Bank, upon getting approval from the Banking Bureau, can call back some or all of the outstanding preferred shares after six years from the issuance date at the price of the issuance amount plus unpaid accumulated dividends. In 2007, the Bank bifurcated the conversion rights embedded in the preferred stock and the liability component, which amounted to $3,672,800 thousand and $327,200 thousand, respectively.

   In their meeting on June 13, 2008, the Bank's stockholders passed a resolution to amend the Articles of Incorporation. Based on this amendment, the issuance of preferred dividends will no longer be whenever the Bank makes profits and instead will be made only under common stockholders' resolutions approving this issuance. As a result of this amendment, the preferred shares ceased to have their financial-liability feature and the Bank thus reclassified these shares to capital.

b. Capital surplus

Under related regulations, the capital surplus from share issued in excess of par of shares and donations may be capitalized, which however is limited to certain percentage of the Bank's paid-in-capital.

Capital surplus from equity-method investments may not be used for any purpose.

c. Retained earnings

The Bank's Articles of Incorporation provide that annual net income less any prior years' deficit should be appropriated in the following order:

1) 30% as legal reserve;

2) Special reserve, as deemed proper;

3) Dividends;

4) The remainder:

   a) Employees' bonus of at least 10%;

   b) Retained earnings, as deemed proper;

   c) The remainder, together with prior year's unappropriated earnings: 95% as bonus to stockholders and 5% as remuneration to directors and supervisors.

These appropriations should be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

The board of directors (BOD) decides the appropriation and distribution of cash and stock dividends, taking into account the Bank's overall financial and economic condition, future profitability and capital expenditure requirements. In view of the Bank's need for capital to expand its operations and meeting of capital adequacy ratios, primarily cash dividends will be declared in the next three years, with the related proposal to be submitted in the stockholders' meeting for approval.

The bonus to employees and the bonus to directors and supervisors, which represent not less than 10% of net income (net of legal reserve, special reserve and dividends), and 5% of unappropriated earnings (net income abovementioned and net of the bonus to employees and plus accumulated unappropriated earnings from prior years), respectively, was recognized for the year ended December 31, 2008. The amounts were estimated based on past experiences. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. Due to the accumulated deficit as of December 31, 2009 and 2008, the Bank did not assess the bonus to employees and the bonus to directors and supervisors.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments, except the treasury stock) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under an SFB directive, if a financial institution's nonperforming loans are sold to an asset management corporation, and the loss on this sale is amortized over five years, a special reserve should be appropriated from retained earnings at an amount equal to the difference of the loss on sale of nonperforming loans and the amortized amount, as required by the Financial Institution Consolidation Law, and the special reserve appropriated from retained earnings is subject to earning appropriation.

The related information regarding the proposed and resolved earnings appropriation is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Legal reserve shall be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has reached 50% of the Bank's paid-in capital, up to 50% thereof may be transferred to paid-in capital. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends should not exceed 15% of aggregate par value of the outstanding capital stock of the Bank.

Except for non-ROC resident stockholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

22. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of the Bank's monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were $78,344 thousand in 2009 and $84,105 thousand in 2008.

Under the Labor Standards Law, the Bank has a defined benefit pension plan covering all regular employees. The Bank makes monthly contributions at 2% of salaries and wages to the Labor Pension Fund (managed by the employees' pension fund administrative committee) deposited in the Bank of Taiwan and to an employee pension account (in the Taipei branch of the Bank), respectively. The Bank recognized defined benefit pension costs of $35,995 thousand for 2009 and $38,689 thousand for 2008.

Other information on the defined benefit plan is as follows:

a. Components of net pension cost

	Years Ended December 31	
	2009	2008
Service cost	$ 24,192	$ 25,329
Interest cost	17,522	19,988
Projected return on plan assets	(12,531)	(11,110)
Net amortization of prior service cost	(519)	(519)
Net amortization of loss of pension	7,331	5,001
Net pension cost	$ 35,995	$ 38,689

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2009 and 2008

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	$ (99,714)	$ (104,871)
Non-vested benefit obligation	(483,961)	(425,973)
Accumulated benefit obligation	(583,675)	(530,844)
Additional benefit based on future salaries	(195,081)	(173,458)
Projected benefit obligation	(778,756)	(704,302)
Fair value of plan assets	488,414	493,080
Funded status	(290,342)	(211,222)
Unrecognized net prior service cost	(5,442)	(5,961)
Unrecognized net loss	279,653	209,711
Additional liability	(79,129)	(30,292)
Accrued pension cost (included in other liability)	$ (95,260)	$ (37,764)
Vested benefit	$ (110,527)	$ (118,693)

c. Actuarial assumptions as of December 31, 2009 and 2008

	December 31	
	2009	2008
Discount rate used in determining present values	2.25%	2.50%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.50%

d. Pension fund changes are summarized below:

	Years Ended December 31	
	2009	2008
Balance, January 1	$ 493,080	$ 446,498
Contributions	27,335	38,705
Benefits paid	(38,062)	(11,527)
Remunerations	6,061	19,404
Balance, December 31	$ 488,414	$ 493,080

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2009	2008
Personnel expenses		
Salaries and wages	$ 1,504,462	$ 1,620,559
Bonus and rewards	302,777	311,597
Labor insurance and national health insurance	149,424	151,498
Pension	116,467	123,600
Other	30,592	19,738
	$ 2,103,722	$ 2,226,992
Depreciation	$ 322,380	$ 367,818
Amortization	$ 118,008	$ 121,292

24. INCOME TAX EXPENSE (BENEFIT)

A reconciliation of income tax expense (benefit) based on income before income tax at the 25% statutory rate and income tax expense (benefit) was as follows:

	2009	2008
Income tax expense (benefit) at the 25% statutory rate	$ 168,867	$ (447,421)
Tax effect on adjusting items:		
Permanent differences	(877,343)	(312,918)
Temporary differences	(279,757)	(119,627)
Loss carryforwards produced	988,233	879,966
Current income tax expense	-	-
Deferred income tax expense		
Temporary differences	199,914	127,646
Investment tax credits	786	7,371
Loss carryforwards	(942,407)	(802,372)
Effect of tax law changes on deferred income tax	951,066	-
Adjustment in valuation allowance due to changes in tax laws	(123,607)	-
Other adjustment in valuation allowance	341,546	70,029
Tax separately levied on interest from short-term bills	2,260	9,980
Tax expense (benefit) of previous bondholders	(9,946)	6,367
Adjustments for prior years' tax	10	1,300
	$ 419,622	$ (579,679)

In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 to 10 years.

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Bank recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting differences as deferred income tax benefits or expenses.

Deferred income tax assets (liabilities) were as follows:

	December 31	
	2009	2008
Loss carryforwards	$ 4,394,797	$ 4,357,930
Investment tax credit	15,298	20,376
Reserve for default	9,783	11,867
Unrealized loss on collaterals assumed	31,472	62,271
Impairment loss on financial assets	221,098	273,070
Allowance for credit losses	106,980	320,051
Unrealized valuation gain on derivative instruments	31,406	(12,879)
Investment income or loss under the equity method	2,032	(6,418)
Amortization of goodwill	(451,867)	(433,824)
Unrealized exchange gains or losses	12,062	(4,000)
Accrued pension cost	1,732	-
	4,374,793	4,588,444
Less: Allowance for valuation of deferred income tax assets	831,684	618,037
Net deferred income tax assets (included in other assets)	$ 3,543,109	$ 3,970,407

As of December 31, 2009, investment tax credits comprised:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Personnel training expenditures	$ 1,571	$ 1,571	2010
		6,481	6,481	2011
		4,164	4,164	2012
		1,882	1,882	2013
		1,200	1,200	2014
		$ 15,298	$ 15,298	

Loss carryforwards as of December 31, 2009 comprised:

Unused Amount	Expiry Year
$ 1,042,328	2013
1,683,060	2015
3,091,769	2016
8,293,639	2017
4,000,000	2018
3,863,188	2019
$ 21,973,984	

Information on integrated income tax is as follows:

	December 31	
	2009	2008
Balances of the imputation credit account	$ 329,423	$ 290,625

As of December 31, 2009, the Bank had no earnings available for distribution; thus, a creditable tax ratio was not estimated.

The Bank’s income tax returns through 2005 had been examined and cleared by the tax authorities.

25. EARNING (LOSS) PER SHARE

The Bank issued convertible bonds, which could be transferred to common stocks of the Bank; thus, the capital structure of the Bank is complicated, and the calculation of basic and diluted earnings per share (EPS) is required. However, since the bottom line of the Bank in 2008 showed a net loss, convertible bonds will have an anti-dilutive effect in calculating loss per share; thus, the potential common shares were not included in the calculation of diluted loss per share. The numerators and denominators used in computing EPS are summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earning (Loss) Per Share (NT$)	
	Pretax	After Tax		Pretax	After Tax
2009					
Basic EPS	$ 675,508	$ 255,886	1,918,824	$ 0.35	$ 0.13
Effect of potential dilutive convertible preferred stock	-	-	400,000		
Diluted EPS	$ 675,508	$ 255,886	2,318,824	$ 0.29	$ 0.11
2008					
Basic loss per share	$ (1,789,643)	$ (1,209,964)	1,918,824	$ (0.93)	$ (0.63)

26. RELATED-PARTY TRANSACTIONS

In addition to disclosure in other footnotes, significant transactions between the Bank and related parties are summarized as follows:

a. Related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Union Finance and Leasing International Corporation (UFLIC)	Subsidiary
Union Information Technology Corporation (UIT)	Subsidiary
Union Insurance Broker Company (UIB)	Subsidiary
Union Finance International (H.K.) Limited	Subsidiary
Union Capital (Cayman) Corp.	Subsidiary of UFLIC
New Asian Ventures Ltd.	Subsidiary of UFLIC
Union Bills Finance Corporation (UBF)	Equity-method investee
Union Real-Estate Management Corporation	Equity-method investee
Union Securities Investment Trust Corporation (USITC)	Equity-method investee
Hung-Kou Construction Inc., Ltd. ("Hung-Kou")	Its chairman is a second-degree relative of the Bank's director/general manager
Union Ran Zheng Co., Ltd. (URZ).	Its chairman is a second-degree relative of the Bank's director/general manager
The Liberty Times Co., Ltd. ("Liberty Times")	The Bank's director/general manager and the chairman of the board of directors are the director and supervisor, respectively, of Liberty Times
Long Shan Lin Corporation	Its chairman is a second-degree relative of the Bank's director/general manager

(Continued)

Related Party	Relationship with the Bank
Yong-Xuan Co., Ltd. ("Yong-Xuan")	Its chairman is a second-degree relative of the Bank's director/general manager
Liu Jin Fu	Director
Union Enterprise Construction Co., Ltd. (UECC)	Director
Zhong Li Venture Corporation	Director
Lin Ci Yong	Supervisor
Bao Xing Investment Corporation	Supervisor
Yu-Pang Co., Ltd. ("Yu-Pang")	Supervisor
Li Chang Yao Ye Co.	A Bank director, Liu Jin Fu, is its director
T-Movies Theater Co.	The wife of the Bank's supervisor, Lee Yu Quan, is its chairman.
Yu Quan Kai Fa Co., Ltd.	The wife of the Bank's supervisor, Lee Yu Quan, is its chairman.
Morgan Stanley Union Bank Assets Management Corporation (MSUB)	Related party in substance (the Bank has its holding in MSUB on November 25, 2009)
Union Recreation Enterprise Corporation	Related party in substance
Entie Securities Finance Co.	Related party in substance
Others	Directors, supervisors, managers, and their relatives and affiliates.

(Concluded)

b. Significant transactions with related parties:

1) Loans

December 31, 2009

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2009	Ending Balance	Loans Classification		for Unrelated Parties	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	6	$ 3,516	$ 2,112	$ 2,112	$ -	-	None
Self-used housing mortgage loans	59	210,721	182,061	182,061	-	Real estate	None
Other loans	Union Finance and Leasing International Corporation	1,470,000	1,327,034	1,327,034	-	Land, building and time deposit	None
Other loans	EnTie Securities Finance Co.	640,000	640,000	640,000	-	Time deposits	None
Other loans	Long Shan Lin Corporation	1,540,000	1,350,000	1,350,000	-	Land and buildings	None
Other loans	Union Real-Estate Management Corporation	55,000	55,000	55,000	-	Land and buildings	None
Other loans	Li Chang Yao Ye Co.	62,186	58,807	58,807	-	Land and factory	None
Other loans	T-Movies Theater Co.	10,607	8,515	8,515	-	Land and buildings	None

December 31, 2008

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2009	Ending Balance	Loans Classification: Normal Loans	Loans Classification: Nonperforming Loans	for Unrelated Parties	Differences in Terms of Transaction from Those for Unrelated Parties
Consumer loans	11	$ 5,985	$ 2,283	$ 2,283	$ -	-	None
Self-used housing mortgage loans	43	281,602	177,090	177,090	-	Real estate	None
Other loans	Union Finance and Leasing International Corporation	1,590,000	1,460,000	1,460,000	-	Land, building and time deposit	None
Other loans	EnTie Securities Finance Co.	1,000,000	310,000	310,000	-	Time deposits	None
Other loans	Long Shan Lin Corporation	1,540,000	1,540,000	1,540,000	-	Land and buildings	None
Other loans	Union Real-Estate Management Corporation	64,000	55,000	55,000	-	Land and buildings	None
Other loans	Li Chang Yao Ye Co.	89,000	62,186	62,186	-	Land and factory	None
Other loans	T-Movies Theater Co.	4,639	4,246	4,246	-	Land and buildings	None

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2009	$ 3,623,529	2.13%	0.77%-14.17%	$ 54,607	0.57%
2008	3,610,805	2.01%	1.98%-19.02%	107,234	0.72%

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate	Amount	%
2009	$ 3,342,189	1.23%	0%-8.45%	$ 32,542	0.87%
2008	4,688,545	1.69%	0%-8.45%	74,499	0.99%

3) Guarantees and letters of credit

December 31, 2009

Name	Highest Balance in the Year Ended December 31, 2009	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 116,249	$ 88,440	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	68,008	17,721	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits

December 31, 2008

Name	Highest Balance in the Year Ended December 31, 2009	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 102,099	$ 100,858	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	92,582	25,373	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits
Union Ran Zheng Co., Ltd.	2,985	-	-	0.5%	Time deposits

Note: Reserve for guarantee loss is provided based on the estimated unrecoverable amount.

4) Due from banks (included in due from the Central Bank and banks) - UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Revenue
2009	$ 1,900,000	$ -	0.097%-0.2%	$ 718
2008	2,130,000	-	0.60%-2.07%	11,576

5) Call loans (included in call loans and due to banks) - UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Expense
2008	$ 200,000	$ -	1.95%-2.01%	$ 127

6) Securities purchased under resell agreements

	Year of 2009					
	Purchase of Securities (Note)	Sale of Securities (Note)	Securities Sold under Repurchase Agreements		Securities Purchased under Resell Agreements	
			Balance of December 31	Rate (%)	Balance of December 31	Rate
UBF	$ 34,347,995	$ 28,545,742	$ -	-	$ -	-

	Year of 2008					
	Purchase of Securities (Note)	Sale of Securities (Note)	Securities Sold under Repurchase Agreements		Securities Purchased under Resell Agreements	
			Balance of December 31	Rate (%)	Balance of December 31	Rate
UBF	$ 42,541,990	$ 31,364,195	$ -	-	$ 2,048,322	0.5%-0.77%
USITC	497,779	-	-	-	-	-

Note: Including the amount of purchase, sale and transactions under agreements.

7) Securities brokerage fees

	Years Ended December 31	
	Amount	%
2009	$ 2,945	3.19
2008	6,051	6.17

8) Consulting and advisory contract

The Bank and UFLIC entered into a three-year consulting contract in December 2006 and October 2009. UFLIC's services include consultation on management, marketing, and promotion activities of auto loans as well as on loan management and collection of overdue loans, etc. (excluding the approval of loan applications). The consulting fees and related expenses paid in 2009 and 2008 were $74,882 thousand and $96,247 thousand (included in other operating expense), respectively, and the accrued expenses as of December 31, 2009 and 2008 were $7,215 thousand and $2,222 thousand, respectively.

9) Leases

a) The Bank as lessee

Under operating lease agreements with terms of one year to five years, the Bank rents from related parties office spaces as the Head Office, Trust, International Banking Dept., Wealth Management, Consumer Banking Dept., Security Finance Dept., Credit Card Dept., Northern Collaterals Assumed Appraise Center, and five branches. Rentals are payable quarterly, with some contracts allowing placement with the lessors of lease deposits in lieu of rental payments. Rental expenses and lease deposits were as follows:

	Lease Deposit (Included in Other Financial Assets)		Rental Expense	
	Amount	**%**	**Amount**	**%**
2009				
Yu-Pang	$ 454,400	8.78	$ 15,243	0.73
Hung-Kuo	228,524	4.41	110,251	5.27
Yong-Xuan	15,017	0.29	65,575	3.14
UECC	4,384	0.08	9,245	0.44
UBF	-	-	137	0.01
UFLIC	-	-	1,774	0.08
2008				
Yu-Pang	454,826	16.65	21,800	0.82
Hung-Kuo	228,524	8.37	128,119	4.84
Yong-Xuan	18,977	0.69	81,418	3.08
UECC	5,019	0.18	10,221	0.39
UBF	91	0.01	365	0.01
UFLIC	-	-	752	0.03

The Bank rented cars for business from UFLIC, the rental expense in 2009 and 2008 were $6,652 thousand and $6,895 thousand, respectively. Rental payable as of December 31 2008 was $7,218 thousand.

b) The Bank as lessor

The Bank's Tauring Branch, Kaohsiung Branch, Mincynan Branch, Chiayi Branch, Yuanlin Branch and Fucheng Branch leased part of their office premises to UFLIC under operating lease agreements starting from July 2009 to December 2113, from July 2007 to December 2015, from September 2007 to September 2017, from July 2009 to July 2114, from February 2009 to October 2113 and February 2009 to February 2114, respectively. The leasing revenues received were $2,414 thousand in 2009 and $2,172 thousand in 2008. The lease deposit received were $492 thousand in 2009 and $315 thousand in 2008, respectively. And the Bank's Beitun Branch leased part of its office to UBF under an operating lease agreement starting from February 2006 to January 2016. The leasing revenue received was $419 thousand for 2009 and 2008. The lease deposit received was $104 thousand for 2009 and 2008.

10) The disposal of nonperforming loans and assuming of related collateral

On June 27, 2006 and September 20, 2006, the Bank sold to Morgan Stanley Union Bank some of its nonperforming loans and related collateral property for $995,000 thousand and $615,025 thousand, respectively. Of this amount, $487,530 thousand and $644,025 thousand had not been received as of December 31, 2009 and 2008, respectively (refer to Note 15).

11) Available-for-sale financial assets and financial assets at fair value through profit or loss

As of December 31, 2009 and 2008, the Bank purchased 64,878 thousand and 88,365 thousand units, respectively, of beneficiary certificates issued by USITC, which amounted to $861,708 thousand and $706,952 thousand (included in available-for-sale financial assets), respectively.

As of December 31, 2008, the commercial papers which were classified as financial assets at FVTPL by the Bank were issued by Hung-Kou Construction Inc., Ltd., Long Shan Lin Corporation and Union Recreation Enterprise Corporation in the amount of $999,182 thousand, $409,764 thousand and $89,948 thousand, respectively.

12) Bank debentures

As of December 31, 2009 and 2008, UBF hold the Bank's debentures amounting to $655,000 thousand.

13) Acquisition of property and equipment

In June 2008, the Bank bought land from the Bank president for $70,088 thousand. In addition, also in June 2008, the Bank bought from Long Shan Lin Corporation buildings for office and warehouse use for $46,730 thousand. As of December 31, 2008, these two transactions had been settled.

14) UIT sold computers, related material and software and provided network service to the Bank. The related purchase and service fee in 2009 and 2008 were $96,599 thousand and $151,316 thousand, respectively.

15) The Bank provided insurance consulting service and sales assistance to UIB. The commission revenues in 2009 and 2008 were $153,098 thousand and $143,767 thousand, respectively. The consulting service revenues in 2009 and 2008 were $128,754 thousand and $45,974 thousand, respectively.

Under the Banking Law, except for consumer and government loans, credits extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between the Bank and related parties, the terms are similar to those transacted with third parties, except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2009	2008
Salaries	$ 19,094	$ 18,535
Incentives	2,185	4,010
Traveling fare	1,658	1,080
Special compensation	480	480
Car rental and oil subsidy	1,542	1,603
	$ 24,959	$ 25,708

27. PLEDGED ASSETS

As of December 31, 2009 and 2008, government bonds and bank debentures, which amounted to $488,400 thousand and $637,700 thousand (included in other financial assets), respectively, had been provided to the courts and the Bank of Taiwan as guarantee deposits on provisional seizures against the debtors' properties, as reserve for credit card receivables, as guarantee deposits on bills finance operations, and as trust reserve. In addition, as of December 31, 2009 and 2008, negotiable certificates of deposit, which amounted to $3,000,000 thousand and $500,000 thousand, respectively (included in other financial assets), had been provided to the Central Bank as collateral for day-term overdraft.

28. CONTINGENCIES AND COMMITMENTS

Financial instruments, contingencies and commitments of the Bank, in addition to those disclosed in Note 30, are summarized as follows:

a. Operating leases

The Bank rents several office premises for its branches under operating leases ranging from 2 to 10 years. Rentals are payable monthly, quarterly or annually. For the Nanking E. Rd., San Chung, and Wujia branches, lease deposits are made in lieu of lease payments. The rental expenses were recognized at imputed interests of 1.39% in 2009 and 2.62% in 2008. Future minimum lease payments are as follows:

Year	Amount
2010	$ 380,200
2011	243,978
2012	197,237
2013	160,596
2014	99,989

The present value of total rentals beyond 2015, amounted to $240,535 thousand, is about $229,715 thousand, discounted by the Bank's one-year time deposit interest rate of 0.77% on December 31, 2009.

b. Computer equipment purchase contracts

The Bank contracted to purchase computer equipment and software for $46,574 thousand, of which $28,119 thousand (included in prepayments for land buildings and equipment) had been paid as of December 31, 2009.

c. Securities sold under repurchase agreements

As of December 31, 2009, securities with a total cost of $26,415,907 thousand were sold under agreements to repurchase from January to July in 2010. The repurchase price is based on the notional amount plus the interests which is calculated by the agreed interest rate.

d. Securities purchased under resell agreements

As of December 31, 2009, securities with a total cost of $289,953 thousand were purchased under agreements to resell for $289,969 thousand in January 2010.

e. To integrate its operating resources and improve its competitiveness in the financial market, the Bank's Board of Directors approved a resolution for the Bank to merge with Union Bills Finance Corporation (UBF), with the Bank as the survivor entity. The merger was effected through a sware swap at the ratio of 1:1.13, with "1" referring to UBF. This ratio is subject to adjustment as provided in the contract. On the merger date was set for June 30, 2010, the Bank will assume all of UBF's assets, liabilities and rights and obligations.

f. Balance sheet of trust accounts and trust property and equipment accounts

Balance Sheet of Trust Accounts
December 31, 2009

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 2,671,778	Income tax payable	$ 25
Investments		Expenses payable	61
Mutual funds	35,309,093	Marketable securities payable	6,952,267
Common stock	159,277	Trust capital	44,387,512
Accounts receivable	807	Reserve and deficit	(19,992)
Stock in custody	6,952,267		
Real estate - land and building	6,226,651		
Total	$ 51,319,873	Total	$ 51,319,873

Balance Sheet of Trust Accounts
December 31, 2008

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 2,179,518	Income tax payable	$ 151
Investments		Expenses payable	171
Mutual funds	32,114,566	Marketable securities payable	6,389,391
Common stock	145,563	Trust capital	39,965,275
Accounts receivable	1,937	Reserve and deficit	(17,293)
Stock in custody	6,389,391		
Real estate - land and building	5,506,720		
Total	$ 46,337,695	Total	$ 46,337,695

Trust Income Statement
Year Ended December 31, 2009

	Amount
Trust income	
Interest revenue - demand account	$ 334
Interest revenue - time deposit	6,491
Cash dividend	7,881
Realized capital gain - fund	4,410
Income from beneficiary certificates	1,390
Total trust income	20,506
Trust expense	
Management expense	3,234
Custody fee	17
Taxation	13,617
Realized capital loss - fund	3,949
Other	25,741
Total trust expense	46,558
Loss before tax	(26,052)
Income tax expense	(587)
Loss after tax	(26,639)
Unrealized capital gain - GTSM stock	33,651
Unrealized capital gain - fund	3,108
Unrealized capital loss - fund	(407)
Net income	$ 9,713

Note: Trust income statements mentioned above are not included in the Bank's income statements.

Trust Income Statement
Year Ended December 31, 2008

	Amount
Trust income	
Interest revenue - demand account	$ 437
Interest revenue - time deposit	5,276
Interest revenue - short-term bills and securities purchased under resell agreements	10,450
Cash dividend	4,650
Realized capital gain - fund	4,010
Income from beneficiary certificates	511
Total trust income	25,334
Trust expense	
Management expense	1,454
Taxation	7,509
Realized capital loss - fund	7,927
Other	3,796
Total trust expense	20,686
Income before tax	4,648
Income tax expense	(465)
Income after tax	4,183
Unrealized capital gain - GTSM stock	11,900
Unrealized capital gain - fund	2,133
Unrealized capital loss - fund	(5,442)
Net income	$ 12,774

Note: Trust income statements mentioned above are not included in the Bank's income statements.

Trust Property and Equipment Accounts
December 31, 2009

Investment Portfolio	Amount
Bank deposits	$ 2,671,778
Investments	
Mutual funds	35,309,093
Common stock	159,277
Accounts receivable	807
Stock in custody	6,952,267
Real estate - land and building	6,226,651
	$ 51,319,873

Trust Property and Equipment Accounts
December 31, 2008

Investment Portfolio	Amount
Bank deposits	$ 2,179,518
Investments	
Mutual funds	32,114,566
Common stock	145,563
Accounts receivable	1,937
Stock in custody	6,389,391
Real estate - land and building	5,506,720
	$ 46,337,695

29. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance is calculated by the daily average balance of interest-earning assets and interest-bearing liabilities.

	2009	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents	$ 1,054,310	1.01
Due from the Central Bank and other banks	46,177,370	0.51
Financial assets at fair value through profit or loss	3,912,294	0.49
Securities purchased under resell agreements	9,549,817	0.32
Discounts and loans	171,144,313	2.57
Accounts receivable - credit card	14,402,925	9.70
Available-for-sale financial assets	8,971,094	1.24
Held-to-maturity investments	22,375,294	6.14
Non-active market debt instruments	36,381,724	4.64

(Continued)

	2009	
	Average Balance	**Average Rate (%)**
Interest-bearing liabilities		
Call loans and due to other banks	$ 948,564	0.09
Securities sold under repurchase agreements	13,632,200	1.98
Demand deposits	27,826,340	0.11
Savings - demand deposits	63,564,496	0.27
Time deposits	56,585,874	1.36
Due to Chunghwa Post Co., Ltd.	19,384,646	1.23
Time-savings deposits	119,532,094	1.65
Negotiable certificates of deposit	1,074,616	1.47
Bank debentures	9,036,488	2.93

(Concluded)

	2008	
	Average Balance	**Average Rate (%)**
Interest-earning assets		
Cash and cash equivalents	$ 1,154,086	1.79
Due from the Central Bank and other banks	43,045,628	1.81
Financial assets at fair value through profit or loss	7,340,600	1.40
Securities purchased under resell agreements	4,253,749	1.82
Discounts and loans	193,064,815	3.87
Accounts receivable - credit card	18,240,209	11.02
Available-for-sale financial assets	4,068,702	2.01
Held-to-maturity investments	40,719,291	7.22
Non-active market debt instruments	12,700,778	6.59
Interest-bearing liabilities		
Call loans and due to other banks	1,988,207	1.95
Securities sold under repurchase agreements	33,019,586	3.29
Demand deposits	24,364,768	0.43
Savings - demand deposits	55,642,120	0.66
Time deposits	63,186,880	2.79
Due to Chunghwa Post Co., Ltd.	21,287,968	2.62
Time-savings deposits	122,910,521	2.56
Negotiable certificates of deposit	1,908,917	2.18
Bank debentures	10,097,158	2.85

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Financial assets at fair value through profit or loss	$ 400,971	$ 400,971	$ 7,675,019	$ 7,675,019
Available-for-sale financial assets	7,134,236	7,134,236	6,279,718	6,279,718
Other short-term financial assets	81,727,147	81,727,147	78,982,810	78,982,810
Discounts and loans, net	169,959,853	169,959,853	180,012,904	180,012,904
Held-to-maturity financial assets	9,724,545	9,749,544	36,318,287	34,971,312
Financial assets carried at cost	1,270,885	-	1,283,956	-
No-active market debt instruments	50,685,783	50,874,857	20,522,414	20,151,505
Other financial assets	5,177,318	5,177,318	2,731,046	2,731,046
Liabilities				
Financial liabilities at fair value through profit or loss	81,243	81,243	212,904	212,904
Other short-term financial liabilities	47,789,633	47,789,633	52,830,966	52,830,966
Deposits	271,051,455	271,051,455	277,735,226	277,735,226
Bank debentures	9,900,000	9,936,529	9,044,300	9,091,674
Other financial liabilities	242,363	242,363	220,896	220,896

b. Methods and assumptions applied in estimating the fair values disclosures for financial instruments are as follows:

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables (tax refundable excluded), call loans and due to banks, securities sold under repurchase agreements, payable (tax payable excluded) and remittances.

2) Fair values of financial instruments designated as at FVTPL and available-for-sale or held-to-maturity financial assets are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

   Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

   Fair values of forward contracts, interest rate swap and cross-currency swap contracts are estimated based on the forward rates provided by Reuters.

   The fair value of non-active debt instruments are based on quoted prices of counter-parties and adjusted by evaluations of debtor’s credit.

3) Discounts and loans, and deposits are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.

4) Financial assets carried at cost are investments in unquoted shares, i.e., shares that have no quoted prices in an active market and entail an unreasonably high cost to determine their fair values. Therefore, no fair value is presented.

5) Refundable deposits have no specified maturity date and thus its market value is estimated based on its carrying value in the balance sheet. The carrying value of the guarantee deposits received is the reasonable base to estimate their market values as the carrying value is the current pay-off price.

6) The fair values of bank debentures are estimated based on the price published by GTSM.

7) The fair values of forward contracts, cross-currency swap contracts and interest rate swap contracts are based on present value techniques. Options' fair value are based on estimates using Black Scholes model.

c. Fair value of financial assets and financial liabilities determined based upon quoted market prices or valuation techniques summarized as follows:

	December 31, 2009		December 31, 2008	
	Quoted Market Prices	Valuation Techniques	Quoted Market Prices	Valuation Techniques
Financial assets				
Financial assets at fair value through profit or loss	$ 270,170	$ 130,801	$ 2,515,790	$ 5,159,229
Available-for-sale financial assets	7,134,236	-	6,279,718	-
Held-to-maturity investments	1,491,059	8,258,485	1,090,082	33,881,230
Non-active market debt instruments	-	50,874,857	-	20,151,505
Other financial assets	-	5,177,318	-	2,731,046
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	81,243	-	212,904
Bank debentures	9,936,529	-	9,091,674	-
Other financial liabilities	-	242,363	-	220,896

Valuation gains or losses arising from changes in fair value of financial instruments determined using valuation techniques were $148,292 thousand and $43,274 thousand for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Years Ended December 31	
	2009	2008
Total interest income	$ 9,559,531	$ 14,695,130
Total interest expense	3,735,662	7,502,445

The Bank recognized an unrealized gain or loss of $646,912 thousand and $419,219 thousand in stockholders' equity for the changes in fair value of available-for-sale financial assets in the year ended December 31, 2009 and 2008, respectively, and of which $484,012 thousand and $362,590 thousand were reclassified into current gain or loss in the income statement.

d. Financial risks

1) Market risk

The risk management of the Bank, please refer to Note 31.

2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of December 31, 2009 and 2008, ratios of secured loans to total loans were 81.89% and 77.93%, respectively. Ratio of secured financial guarantees and standby letters of credits were 44.45% and 32.52%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising from the guarantees received. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

The Bank has significant credit commitments principally relating to credit cards issued and credit facilities extended. The terms of most of the credit commitments range from half year to ten years. For the years ended December 31, 2009 and 2008, the loan interest rates ranged from 1.01% to 7.25% and 1.75% to 9.50%, respectively, and the highest interest rate for credit cards was 19.99%. The Bank also provided guarantees on customers' loans and letters of credit obtained from third parties. The maturity dates of these commitments are not concentrated in a particular period.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2009 and 2008 were as follows:

	December 31	
	2009	**2008**
Credit commitments for credit cards	$ 200,688,219	$ 304,808,175
Guarantees and standby letters of credit	6,267,792	6,767,588
Irrevocable loan commitments	1,010,252	998,233

The maximum exposure of counterparties presented above were evaluations on off-balance sheet credit risk contracts with positive amounts on the balance sheet date. Concentrations of credit risk exist when changes in economic or other factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. The Bank maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors the exposure on a continuous basis. Credit risk profile by region is not significant on December 31, 2009 and 2008. On December 31, 2009 and 2008, the Bank's most significant concentrations of credit risk were summarized as follows:

	Carrying Amount	
	December 31	
Credit Risk Profile by Counterparty	**2009**	**2008**
Consumer	$ 128,818,672	$ 135,964,871
Private sector	34,719,994	38,496,650
Government	1,024,140	772,580
	$ 164,562,806	$ 175,234,101

Credit Risk Profile by Industry Sector	December 31 2009	2008
Real estate activities	$ 10,184,925	$ 10,349,728
Commercial	5,462,862	6,587,644
Finance and insurance	4,987,710	5,708,141
	$ 20,635,497	$ 22,645,513

The Bank does not make significant loans to foreign areas in 2009 and 2008. The credit risks of the abovementioned loans are the same with their respective the carry amount classified by either the counterparty or industry sector.

3) Liquidity risk

As of December 31, 2009 and 2008, the liquidity reserve ratio was 23.81% and 18.81%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and had no liquidity risk. The possibility of failing to liquidate the derivative financial instruments with reasonable price is remote.

The management policy of the Bank is to match the maturity and interest rate of its assets and liabilities. Due to the uncertainty resulting from terms of transactions, the maturities and interest rates of assets and liabilities usually didn't fully match. The gap may arise potential gain or loss.

The Bank applied appropriate way to group assets and liabilities. The maturity analysis of assets and liabilities was as follows:

	December 31, 2009					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due After One Year	Total
Assets						
Cash and cash equivalents	$ 5,057,882	$ 135,000	$ 162,000	$ 206,000	$ -	$ 5,560,882
Due from the Central Bank and other banks	51,147,103	785,536	941,499	1,818,988	2,655,530	57,348,656
Financial assets at fair value through profit or loss	254,043	6,024	1,259	134,728	4,917	400,971
Securities purchased under resell agreements	289,953	-	-	-	-	289,953
Receivables	5,921,724	2,712,753	2,822,312	5,504,720	2,576,238	19,537,747
Discounts and loans	6,765,941	6,518,639	10,312,120	20,921,978	127,041,226	171,559,904
Available-for-sale financial assets	-	-	115,974	-	7,018,262	7,134,236
Held-to-maturity investments	400,300	-	164,626	3,511,697	5,647,922	9,724,545
No active market debt instruments	268	3,699	3,967	7,935	51,632,303	51,648,172
	69,837,214	10,161,651	14,523,757	32,106,046	196,576,398	323,205,066
Liabilities						
Call loans and due to banks	1,654,593	160,880	13,100,480	3,172,820	-	18,088,773
Financial liabilities at fair value through profit or loss	19,236	60,069	895	1,023	20	81,243
Securities sold under repurchase agreements	11,759,482	1,399,913	-	13,256,512	-	26,415,907
Payables	1,871,481	737,965	292,724	176,088	198,560	3,276,818
Deposits and remittance	31,855,566	32,391,237	43,540,161	68,710,014	94,627,213	271,124,191
Bank debentures	-	-	5,000,000	-	4,900,000	9,900,000
	47,160,358	34,750,064	61,934,260	85,316,457	99,725,793	328,886,932
Net liquidity gap	$ 22,676,856	$ (24,588,413)	$ (47,410,503)	$ (53,210,411)	$ 96,850,605	$ (5,681,866)

	December 31, 2008					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due After One Year	Total
Assets						
Cash and cash equivalents	$ 5,953,729	$ 6,267	$ 180,000	$ 206,000	$ -	$ 6,345,996
Due from the Central Bank and other banks	38,280,997	2,600,000	1,900,000	-	-	42,780,997
Financial assets at fair value through profit or loss	7,349,968	18,172	144,642	9,021	153,216	7,675,019
Securities purchased under resell agreements	6,355,286	200,000	-	-	-	6,555,286
Receivables	23,963,327	59,815	33,961	35,883	7,702	24,100,688
Discounts and loans	8,697,834	5,513,286	9,018,474	15,819,184	143,735,272	182,784,050
Available-for-sale financial assets	-	-	-	425,466	5,854,252	6,279,718
Held-to-maturity investments	500	-	38,155	8,992	36,270,640	36,318,287
No active market debt instruments	501	8,632	14,692	10,858	21,450,120	21,484,803
	90,602,142	8,406,172	11,329,924	16,515,404	207,471,202	334,324,844
Liabilities						
Call loans and due to banks	262,883	-	6,644	19,804,676	-	20,074,203
Financial liabilities at fair value through profit or loss	110,173	13,484	239	4,570	84,438	212,904
Securities sold under repurchase agreements	12,856,958	1,483,502	-	-	13,502,872	27,843,332
Payables	3,755,335	364,520	401,384	424,993	35,086	4,981,318
Deposits and remittance	38,898,974	35,699,113	41,806,409	76,609,937	84,736,901	277,751,334
Bank debentures	-	-	-	44,300	9,000,000	9,044,300
	55,884,323	37,560,619	42,214,676	96,888,476	107,359,297	339,907,391
Net liquidity gap	$ 34,717,819	$ (29,154,447)	$ (30,884,752)	$ (80,373,072)	$ 100,111,905	$ (5,582,547)

e. Reclassifications

The Bank's holding of asset-backed commercial paper amounting to $2,246,258 thousand lost its active market price as the world financial market deteriorated. The Bank made a provision of $962,389 thousand for impairment loss based on the estimated recoverable amount and thus reclassified the netting value of $1,283,869 thousand as a no-active market debt investment.

On July 1, 2008, the Bank reclassified its financial assets in accordance with the newly amended Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement." The fair values of the reclassified financial assets were as follows:

	Before Reclassifications	After Reclassifications
Financial assets at fair value through profit or loss - held for trading	$ 2,021,441	$ -
Available-for-sale financial assets	-	2,021,441
	$ 2,021,441	$ 2,021,441

The carrying amounts and fair values of the reclassified financial assets (excluding those that had been derecognized) as at December 31, 2009 and 2008 were as follows:

	Years Ended December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets	$ 110,960	$ 110,960	$ 884,082	$ 884,082

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2009 and 2008, respectively) for 2009 and 2008 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	Years Ended December 31			
	2009		2008	
	Gains (Losses) Recorded	Pro Forma Gains (Losses)	Gains (Losses) Recorded	Pro Forma Gains (Losses)
Available-for-sale financial assets	$ -	$ (18,646)	$ -	$ (199,525)

31. MARKET RISK CONTROL AND HEDGE STRATEGY

a. Risk managing indicators and strategy

The Bank's main risks are credit risk, market risk and liquidity risk. The risk management policies are 1) short-term goal: To integrate and collect any risk variables to set up quantifiable risk quote; 2) long-term goal: To maximize stockholder's return by setting up risk management and evaluative system and best capital allocation.

b. Quantifiable risk measurement and control

1) Credit risk: The goal is to control risk in tolerable level by setting up measurement tools which quantify risk across products and businesses. Then, the Bank builds the model in loan procedures to ensure the spread could bear the risk to protect the stockholder and depositors.

   a) Setting up credit risk measurement system and database when making loans and reserving the historical data of credit risk measurement.

   b) Setting up credit rating system connecting with interest spread.

   c) Modulating credit risk measurement model and instruments by economy, forecasting and customer attribute to ensure the data match status.

2) Market risk: The goal is to set up the identifying, evaluating, monitoring, reporting and controlling procedures. The Bank builds related risk management procedure and mechanism under the guideline of Based II and plans to build risk management system to ensure that the outcomes of risk-taking activities are predictable and within the Bank's risk tolerance parameter and that there is an appropriate balance between risk and reward.

   a) The trade limit control: The limit approved by the board of directors or senior management committees included the limit of investment, counter parties, trader and total limit.

b) The price risk control: Marked-to-market valuation method which values the open position by settlement price daily. The data of sensitivity analysis of all outstanding position and stop-loss monitor information can be obtained through trading management system.

c) The risk report: To ensure risk control effectively, outstanding position report and integrated risk management report are available on a continuing basis.

3) Operational risk

a) Establishment of the strategy procedures at an all-bank level control procedure and process.

b) Establishment of database and reporting system of the operational risk loss data by activity units or activities, and keep the data to improve internal control.

c) Establish information and employees backup system to lower the loss of spot situation.

4) Liquidity risk

The Bank actively manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. The Bank measures and forecasts cash commitments on a daily basis and conducts regular liquidity crisis stress testing. The Bank's liquidity contingency plan provides the framework from which to determine appropriate action plan in the event of a liquidity crisis.

32. CAPITAL ADEQUACY RATIO

(In Thousands of New Taiwan Dollars, %)

Items			December 31, 2009 Union Bank	December 31, 2009 Consolidated
Eligible capital	Tier 1 capital		$ 11,428,073	$ 13,882,881
	Tier 2 capital		2,686,699	3,360,171
	Tier 3 capital		-	-
	Eligible capital		14,114,772	17,243,052
Risk-weighted assets	Credit risk	Standardized approach	138,505,286	153,104,392
		Internal ratings-based approach	-	-
		Securitization	1,024,060	1,078,855
	Operational risk	Basic indicator approach	14,901,512	16,297,550
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	4,298,058	5,196,627
		Internal model approach	-	-
	Risk-weighted assets		158,728,916	175,677,424
Capital adequacy ratio			8.89	9.82
Ratio of Tier 1 capital to risk-weighted assets			7.20	7.90
Ratio of Tier 2 capital to risk-weighted assets			1.69	1.92
Ratio of Tier 3 capital to risk-weighted assets			-	-
Ratio of common stock to total assets			5.53	5.33
Leverage ratio			3.29	3.82

Note 1: The above tables were prepared in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: Formulas used were as follows:

1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets

4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets

5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets

6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets

7) Ratio of common stock to total assets = Common stock ÷ Total assets

8) Leverage ratio = Tier 1 capital ÷ Adjusted average total asset (the average total asset - goodwill, deferred losses on the sale of nonperforming loans and the amount of ineligible items (as defined in the "Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks") deducted from the Tier 1 capital

(In Thousands of New Taiwan Dollars, %)

<table>
<tr><th colspan="3" rowspan="2">Year / Items</th><th colspan="2">December 31, 2008</th></tr>
<tr><th>Union Bank</th><th>Consolidated</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Tier 1 capital</td><td>$ 8,682,110</td><td>$ 11,505,308</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>6,298,585</td><td>7,308,692</td></tr>
<tr><td colspan="2">Tier 3 capital</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Eligible capital</td><td>14,980,695</td><td>18,814,000</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>154,638,398</td><td>169,321,710</td></tr>
<tr><td>Internal ratings - based approach</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>760,942</td><td>760,942</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>16,657,182</td><td>17,915,629</td></tr>
<tr><td>Standardized approach/alternative standardized approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardized approach</td><td>5,137,292</td><td>8,577,007</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Risk-weighted assets</td><td>177,193,814</td><td>196,575,288</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>8.45</td><td>9.57</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets</td><td>4.90</td><td>5.85</td></tr>
<tr><td colspan="3">Ratio of Tier 2 capital to risk-weighted assets</td><td>3.55</td><td>3.72</td></tr>
<tr><td colspan="3">Ratio of Tier 3 capital to risk-weighted assets</td><td>-</td><td>-</td></tr>
<tr><td colspan="3">Ratio of common stock to total assets</td><td>5.36</td><td>5.11</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>2.45</td><td>3.07</td></tr>
</table>

Note: Capital adequacy ratio = Eligible capital/Risk-weighted assets pursuant to the Banking Law and related regulations.

33. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Credit risks

1) Asset quality: Table 5 (attached)

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	Year Ended December 31, 2009				Year Ended December 31, 2008		
Rank	**Industry**	**Total Amount of Credit Endorsement or Other Transactions**	**Percentage of Equity (%)**	**Rank**	**Industry**	**Total Amount of Credit Endorsement or Other Transactions**	**Percentage of Equity (%)**
1	A Group - Real estate	$3,653,880	20.84	1	A Group - Real estate	$3,653,880	20.84
2	B Group - Real estate	2,909,237	16.60	2	B Group - Real estate	2,909,237	16.60
3	C Group - Rail transport	2,855,806	16.29	3	C Group - Rail transport	2,855,806	16.29
4	D Group - Real estate	2,073,900	11.83	4	D Group - Real estate	2,073,900	11.83
5	E Group - Television	1,542,787	8.80	5	E Group - Television	1,542,787	8.80
6	F Group - Financial securities	1,057,000	6.03	6	F Group - Financial securities	1,057,000	6.03
7	G Group - Real estate	860,358	4.91	7	G Group - Real estate	860,358	4.91
8	H Group - Real estate	757,000	4.32	8	H Group - Real estate	757,000	4.32
9	I Group - Real estate	670,842	3.83	9	I Group - Real estate	670,842	3.83
10	J Group - Interior design	491,624	2.80	10	J Group - Interior design	491,624	2.80

b. Interest rate sensitivity

Interest Rate Sensitivity
December 31, 2009

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 206,477,005	$ 5,454,142	$ 10,707,734	$ 26,899,080	$ 249,537,961
Interest rate-sensitive liabilities	115,143,447	116,572,355	22,102,637	16,489,294	270,307,733
Interest rate sensitivity gap	91,333,558	(111,118,213)	(11,394,903)	10,409,786	(20,769,772)
Net worth					12,828,558
Ratio of interest rate-sensitive assets to liabilities					92.32%
Ratio of interest rate sensitivity gap to net worth					(161.90%)

Interest Rate Sensitivity
December 31, 2008

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 213,601,977	$ 5,812,242	$ 4,778,414	$ 30,299,882	$ 254,492,515
Interest rate-sensitive liabilities	120,107,401	92,539,253	46,719,775	23,049,855	282,416,284
Interest rate sensitivity gap	93,494,576	(86,727,011)	(41,941,361)	7,250,027	(27,923,769)
Net worth					14,931,060
Ratio of interest rate-sensitive assets to liabilities					90.11%
Ratio of interest rate sensitivity gap to net worth					(187.02%)

Note 1: The above amounts included only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

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

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

Interest Rate Sensitivity
December 31, 2009

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 72,708	$ 15,375	$ 113,441	$ 1,677,896	$ 1,879,420
Interest rate-sensitive liabilities	1,165,573	309,093	123,505	-	1,598,171
Interest rate sensitivity gap	(1,092,865)	(293,718)	(10,064)	1,677,896	281,249
Net worth					184,937
Ratio of interest rate-sensitive assets to liabilities					117.60%
Ratio of interest rate sensitivity gap to net worth					152.08%

Interest Rate Sensitivity
December 31, 2008

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 89,336	$ 21,087	$ 1,513	$ 1,664,347	$ 1,776,283
Interest rate-sensitive liabilities	1,139,922	219,993	143,764	-	1,503,679
Interest rate sensitivity gap	(1,050,586)	(198,906)	(142,251)	1,664,347	272,604
Net worth					100,849
Ratio of interest rate-sensitive assets to liabilities					118.13%
Ratio of interest rate sensitivity gap to net worth					(270.31%)

Note 1: The above amounts includes U.S. dollar amounts held by the onshore branches, OBU and offshore branches of the Bank, excludes contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

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

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

c. Liquidity risk

1) Profitability:

(%)

Items		2009	2008
Return on total assets	Before income tax	0.19	(0.50)
	After income tax	0.07	(0.34)
Return on net worth	Before income tax	3.90	(10.17)
	After income tax	1.48	(6.88)
Profit margin		3.84	(19.31)

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2009 and 2008.

2) Maturity analysis of assets and liabilities:

Maturity Analysis of Asset and Liabilities
December 31, 2009

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	$ 283,344,792	$ 74,369,061	$ 10,009,332	$ 14,058,585	$ 29,845,101	$ 155,062,713
Main capital outflow on maturity	322,271,748	30,413,646	31,349,270	48,316,526	82,802,833	129,389,473
Gap	(38,926,956)	43,955,415	(21,339,938)	(34,257,941)	(52,957,732)	25,673,240

Maturity Analysis of Asset and Liabilities
December 31, 2008

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	$ 294,084,584	$ 77,175,025	$ 14,064,636	$ 13,351,058	$ 18,432,721	$ 171,061,144
Main capital outflow on maturity	303,901,307	35,920,922	31,215,142	35,304,525	92,563,047	108,897,671
Gap	(9,816,723)	41,254,103	(17,150,506)	(21,953,467)	(74,130,326)	62,163,473

Note: The above amounts included only New Taiwan dollar amounts held in the onshore branches of the Bank (i.e. excluding foreign currency).

Maturity Analysis of Assets and Liabilities
December 31, 2009

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	$ 1,922,181	$ 83,651	$ 10,192	$ 15,414	$ 113,456	$ 1,699,468
Capital outflow on maturity	1,804,439	584,861	189,073	539,507	306,061	184,937
Gap	117,742	(501,210)	(178,881)	(524,093)	(192,605)	1,514,531

Maturity Analysis of Assets and Liabilities
December 31, 2008

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	$ 2,357,101	$ 601,424	$ 43,401	$ 30,871	$ 1,927	$ 1,679,478
Capital outflow on maturity	2,357,101	1,159,146	318,258	221,563	145,284	512,850
Gap	-	(557,722)	(274,857)	(190,692)	(143,357)	1,166,628

Note 1: The above amounts are book value held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, without off-balance amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

Note 2: If the overseas assets amounting to at least 10% of the total assets, there should be additional disclosures.

34. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees:

1) Financing provided: The Bank and Union Bills Financial Corporation - not applicable; investee company - none

2) Endorsement/guarantee provided: The Bank and Union Bills Financial Corporation - not applicable; investee company - Table 1 (attached)

3) Marketable securities held: The Bank - not applicable; investee company: Table 2 (attached)

4) Acquired and disposed of investee investment at costs or prices of at least NT$300 million or 10% of the issued capital: None

5) Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital: None

6) Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital: None

7) Allowance for service fee to related parties amounting to at least NT$5 million: None

8) Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital: Table 3 (attached)

9) Sale of nonperforming loans: None

10) Financial asset securitization: Table 4 (attached)

11) Other significant transactions which may affect the decision of financial statements users: Table 5 (attached)

12) The information of investees: Table 6 (attached)

13) Derivative financial transactions: Please see Note 30. The investees' related information is as follows:

Union Bills Finance Corporation (UBF)

UBF enters into derivative financial instruments for cash flow and risk management.

a) The contract (notional) amounts of derivative financial instruments as of December 31, 2009 and 2008 were as follows:

	December 31	
	2009	2008
Financial Instruments	**Contract (Notional) Amounts**	**Contract (Notional) Amounts**
Asset swap	$ -	$ 32,500
Interest rate swap	3,900,000	15,300,000

b) Fair value of derivative financial instruments

	December 31			
	2009		2008	
Financial Instruments	**Carrying Value**	**Fair Value Based on Estimates**	**Carrying Value**	**Fair Value Based on Estimates**
Assets				
Asset swaps	$ -	$ -	$ 32,233	$ 32,233
Liabilities				
Interest rate swap	19,306	19,306	26,529	26,529

c) Market price risk

The risk factors of market price risk includes changes in rate and price. UBF measures risk of interest rate by using PVBP (price value of a basic point) to determine the decrease of the amount of the fair value of bonds while the market interest rate increase by 1%. The risk of changes is determined by analyzing the valuation of financial instruments based on their identity.

The market price will be adopted once the centralized trading markets are available for the financial instruments such as the interest future, stock future, option and stock. Otherwise, the theoretical prices based on valuation techniques will be used in determining the price of the financial products such as interest rate swap, asset swap and bond option. UBF plans to develop and establish the system of calculating risk.

d) Credit risk

UBF is exposed to credit risk in the event of default on contracts by counter-parties. The maximum exposure of counter parties were evaluations on off-balance sheet credit risk contracts with positive amounts on the balance sheet date.

The maximum credit exposure of the financial instruments (except for the fair value of collaterals) held by UBF equaled the book value except which analysed as follows:

	December 31			
	2009		2008	
Financial Instrument	**Notional Amounts**	**Financial Instruments**	**Notional Amounts**	**Financial Instruments**
Derivative financial instrument				
Interest rate swap	$ 3,900,000	$ 16,815	$ 15,300,000	$ 42,102
Asset swap	$ -	$ -	$ 32,500	$ 6

e) Liquidity risk

UBF has sufficient capital and working capital to execute all the obligation of contract and had no liquidity risk. The possibility of failing to dispose the derivative financial instruments held by UBF with reasonable price is remote, except for the interest rate swap contract characterized by leverage effect.

f) Accounting policy for derivative instruments

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

b. Investment in Mainland China: None.

35. SEGMENT INFORMATION

The Bank engages only in banking activities allowed under the Banking Law and operates entirely in the Republic of China. The Bank has no single customer that accounts for 10% or more of the Bank's operating revenues. No geographic and customer information is required to be disclosed.

UNION BANK OF TAIWAN

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per the Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable
		Name	Nature of Relationship						
1	Union Capital (Cayman) Corp.	Union Finance and Leasing International Corporation	Subsidiary	$ 499,532 (US$ 15,525)	$ 400,000 (US$ 12,432)	$ 400,000 (US$ 12,432)	$ 400,000 (US$ 12,432)	80.07	$ 499,532 (US$ 15,525)

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars and Foreign Currency, Unless Stated Otherwise)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2009 Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
Union Finance and Leasing International Corporation	Stock							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	872	$ 12,288	0.06%	$ 12,288	-
	Photronics Semiconductor Mask Corp.	-	Available-for-sale financial assets	536	6,405	0.19%	6,405	-
	China Chemical Corporation	-	Available-for-sale financial assets	356	8,625	0.12%	8,625	-
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	505,821	100.00%	US$ 15,525	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	106,518	100.00%	US$ 3,324	Note 1
	Union Bills Finance Corporation	Affiliate	Unquoted equity instruments	2,100	26,250	0.71%	20,157	Note 1
	WI Harper Group	-	Unquoted equity instruments	1,284	7,157	3.33%	6,418	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.90%	4,839	Note 1
	Yung Li Securities Co., Ltd.	-	Unquoted equity instruments	1	487	0.99%	451	Note 1
Union Bills Finance Corporation	Stock							
	TSEC Taiwan 50 Index	-	Financial assets at fair value through profit or loss	465	29,072	-	29,072	-
	Sincere Novigation Corporation	-	Financial assets at fair value through profit or loss	51	2,167	-	2,167	-
	Greatek Electronics Inc.	-	Financial assets at fair value through profit or loss	260	8,515	-	8,515	-
	Taiwan Hon chuan Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	110	5,830	-	5,830	-
	Uni-President Enterprises Corp.	-	Financial assets at fair value through profit or loss	226	8,916	-	8,916	-
	Oriental Union Chemical Corp.	-	Financial assets at fair value through profit or loss	600	15,360	-	15,360	-
	Taiwan Pulp & Paper Corporation	-	Financial assets at fair value through profit or loss	720	7,668	-	7,668	-
	Unitech Printed Circuit Board Corp.	-	Financial assets at fair value through profit or loss	450	6,232	-	6,232	-
	Elite Material Co., Ltd.	-	Financial assets at fair value through profit or loss	250	6,075	-	6,075	-
	Phihong Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	100	3,110	-	3,110	-
	UPC Technology Co., Ltd.	-	Available-for-sale financial assets	1,058	14,701	-	14,701	-
	China Steel Co., Ltd.	-	Available-for-sale financial assets	2,576	85,010	-	85,010	-
	Chung Hung Steel	-	Available-for-sale financial assets	710	11,999	-	11,999	-
	TSRC Corporation	-	Available-for-sale financial assets	2,099	83,015	-	83,015	-
	Debt Instrument Depository and Clearing Co., Taiwan	-	Unquoted equity instruments	495	9,277	0.17%	19,503	Note 2

(Continued)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	<u>Beneficiary certificate</u>							
	FSITL Global Trends Fund	-	Financial assets at fair value through profit or loss	1,000	$ 16,850	-	$ 16,850	-
	FSITC China Century Fund	-	Financial assets at fair value through profit or loss	1,000	9,880	-	9,880	-
	Adam Global Emerging Markets Fund	-	Available-for-sale financial assets	619	10,795	-	10,795	-
	JF(Taiwan) Asia Fund	-	Available-for-sale financial assets	354	13,246	-	13,246	-
	AIG Latin American Fund	-	Available-for-sale financial assets	829	10,792	-	10,792	-
	Far Eastern Alliance Global Material and Energy Fund	-	Available-for-sale financial assets	464	9,521	-	9,521	-
	<u>Bond</u>							
	Jih Sun Financial Bonds - 2004-1	-	Financial assets at fair value through profit or loss	60 piece	603,532	-	603,532	-
	Union Bank Financial Bonds 2004-1 (Issued by The Bank)	-	Financial assets at fair value through profit or loss	159 piece	544,392	-	544,392	-
	Union Bank Financial Bonds 2004-2 (Issued by The Bank)	-	Financial assets at fair value through profit or loss	55 piece	100,674	-	100,674	-
	Union Bank Financial Bonds 2006-1 (Issued by The Bank)	-	Financial assets at fair value through profit or loss	1 piece	10,008	-	10,008	-
	China Development Financial Bonds 2005-1	-	Financial assets at fair value through profit or loss	15 piece	150,858	-	150,858	-
	Jih Sun Financial Bonds - 2005-1	-	Financial assets at fair value through profit or loss	5 piece	50,886	-	50,886	-
	Chi-Mei Corporation 1st Domestic Unsecured Corporate Bonds - C Issue in 2005	-	Available-for-sale financial assets	10 piece	101,333	-	101,333	-
	Chi-Mei Corporation 1st Domestic Unsecured Corporate Bonds - H Issue in 2005	-	Available-for-sale financial assets	10 piece	101,318	-	101,318	-
	Cathay United Bank Financial Bonds - 2005-2	-	Available-for-sale financial assets	10 piece	100,136	-	100,136	-
	NAN YA Plastics Corporation Bonds 2003-1 A Issue	-	Available-for-sale financial assets	4 piece	17,547	-	17,547	-
	Yang Ming Marine Transport Corporation Unsecured Bond 2006-1 B Issue	-	Available-for-sale financial assets	10 piece	100,921	-	100,921	-
	China Development Financial Holding Corporation Unsecured Bond 2005-1 A Issue	-	Available-for-sale financial assets	45 piece	452,546	-	452,546	-
	Chi Mei Corporation 1st Unsecured Bond 2005-1 J Issue	-	Available-for-sale financial assets	3 piece	30,395	-	30,395	-
	Formosa Plastics Corporation 1st Unsecured Bond 2006 Issue	-	Available-for-sale financial assets	30 piece	303,046	-	303,046	-
	Far Eastern Textile 2nd Unsecured Bond 2008 Issue	-	Available-for-sale financial assets	20 piece	203,560	-	203,560	-
	Nanya Technology Corporate Bond 2005-3 Issue	-	Available-for-sale financial assets	10 piece	99,936	-	99,936	-
	Nanya Technology Corporate Bond 2006-1 Issue	-	Available-for-sale financial assets	20 piece	200,436	-	200,436	-
	Inotera Corporate Unsecured Bond 2006-1 Issue	-	Available-for-sale financial assets	34 piece	333,555	-	333,555	-
	Formosa Plastics Corporation Unsecured Bond 2008-3 Issue	-	Available-for-sale financial assets	20 piece	208,677	-	208,677	-
	Yang Ming Marine Transport Corporation Unsecured Bond 2006-1 A Issue	-	Available-for-sale financial assets	10 piece	100,004	-	100,004	-
	Yang Ming Marine Transport Corporation Unsecured Bond 2006-1 B Issue	-	Available-for-sale financial assets	20 piece	200,459	-	200,459	-
	MLPC 1st Unsecured Corporate Bonds Issue in 2009	-	Available-for-sale financial assets	10 piece	100,945	-	100,945	-

(Continued)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Taiwan Mobile 2nd Unsecured Bonds	-	Available-for-sale financial assets	20 piece	$ 209,334	-	$ 209,334	-
	Mega Holdings 2nd Unsecured Bond 2007 A Issue	-	Available-for-sale financial assets	20 piece	202,927	-	202,927	-
	Mega Holdings 2nd Unsecured Bond 2007 B Issue	-	Available-for-sale financial assets	20 piece	199,226	-	199,226	-
	Yuanta Financial Holdings Bonds 2008-1	-	Available-for-sale financial assets	10 piece	101,794	-	101,794	-
Union Information Technology Corporation	Stock							
	Jin Shang Chang Development Co., Ltd.	-	Available-for-sale financial assets	-	-		-	-
	ELTA Technology Co., Ltd.	-	Unquoted equity instruments	2,000	17,132	16.33%	24,738	Note 4
	eBizServe, Inc.	-	Unquoted equity instruments	825	3,066	7.99%	2,291	Note 4
Union Finance International (HK) Limited	Bond							
	HBOS Capital Funding LP	-	Available-for-sale financial assets	900 piece	US$ 571	-	US$ 571	-
	Penn West Energy	-	Available-for-sale financial assets	29 piece	US$ 510	-	US$ 510	-
	Stock							
	ING Group N.V.	-	Available-for-sale financial assets	33	US$ 635	-	US$ 635	-
	Applied Materials Inc.	-	Financial assets at fair value through profit or loss	3	US$ 615	-	US$ 615	-
	Merck & Co., Inc.	-	Financial assets at fair value through profit or loss	12	US$ 428	-	US$ 428	-
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US$ 322	-	US$ 322	-
Union Insurance Broker Company	Stock							
	Asus Computer Corp.	-	Available-for-sale financial assets	21	1,285	-	1,285	-
New Asian Ventures Ltd.	Stock							
	PGWC Wireless Inc.	-	Available-for-sale financial assets	372	US$ -	3.93%	US$ -	-
	Grace Thw Holding Limited	-	Unquoted equity instruments	1,667	US$ 2,500	0.74%	US$ 2,208	Note 3
	Medinox Inc.	-	Unquoted equity instruments	403	US$ 350	0.23%	US$ -	Note 3

The Bank's investees had investments in companies with shares having no quoted market prices. The net asset values of these companies were based on the following:

Note 1: Union Finance and Leasing International Corporation:

a. WI Haper Group and ERA Communications Co., Ltd. and Yung Li Securities Co., Ltd. - audited stockholders' equity as of December 31, 2008.
b. Union Bills Finance Corporation, New Asian Ventures Ltd. and Union Capital (Cayman) Corp. - the audited stockholders' equity as of December 31, 2009.

Note 2: Union Bills Finance Corporation had investments in Taiwan Depository & Clearing Corporation - the audited stockholders equity as of December 31, 2009.

Note 3: New Asian Ventures Ltd.:

a. Medinox Inc. - unaudited stockholders' equity as of June 30, 2009.
b. Grace Thw Holding Limited - unaudited stockholders equity as of December 31, 2008.

Note 4: Except above, other companies - unaudited stockholders' equity as of December 31, 2009.

The market value of the listed and OTC stocks included in financial assets at fair value through profit or loss and available-for-sale financial assets were based on the daily closing prices as of balance sheet date. Beneficiary certificates were based on net asset values as of the balance sheet date.

(Concluded)

UNION BANK OF TAIWAN

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Company	Counter-party	Relationship	Ending Balance	Turnover Rate	Overdue Receivables from Related Parties		Collection Subsequently	Allowance for Bad Debts
					Amount	Deal With		
Union Bank of Taiwan (the "Bank")	Morgan Stanley Union Bank Asset Management Corporation	Related party in substance	$487,530	Unsuitable for financial institution	$165,525	Note	$ 14,558	$143,772

Note: Receivables were from the sale of nonperforming loans to Morgan Stanley Union Bank Asset Management Corporation ("Morgan Stanley") on June 27, 2006 and September 20, 2006. On November 27, 2009, the Bank amended the related contract and temporarily abandoned the rights of profit sharing in order to accelerate receiving the remaining receivables since August 2009. The contract amendment was approved the Financial Supervisory Commission. The Bank will not exercise the rights of profit sharing until all receivables are collected.

TABLE 4

UNION BANK OF TAIWAN

FINANCIAL ASSET SECURITIZATION
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Special Purpose Trust

In November 2005, the Union Securities Investment Trust Corporation (USITC, an equity method investee of the Union Bank of Taiwan) entered into contracts for a special-purpose trust with the Taishin International Bank ("Taishin") and the Land Bank of Taiwan ("Land Bank"). Under the contract and the "Regulations for Financial Asset Securitization," structured bonds amounting to $2,000,000 thousand, in which the bond funds managed by USITC had been invested, were placed in an asset pool for the issuance of revolving beneficial securities, i.e., the beneficial securities will be issued once every three months for seven years. USITC should appropriate $94,000 thousand, recorded as other assets, to enhance the credit once the asset pool has a shortage of cash flows and to absorb expenses needed for the issuance of the beneficial securities. The amount of this appropriation was based on the calculation of a credit agency.

Guarantee deposit:

	Years Ended December 31	
	2009	**2008**
Balance, beginning of year	$ 76,575	$ 88,814
Less: Issuance expense	-	12,239
Balance, end of year	$ 76,575	$ 76,575

Movements of the allowance for doubtful accounts were as follows:

	Years Ended December 31	
	2009	**2008**
Balance, beginning of year	$ 66,746	$ 65,528
Provision (reversal of provision) for doubtful accounts	(10,641)	1,218
Balance, end of year	$ 56,105	$ 66,746

When Lehman Brothers Holdings Inc. ("Lehman"), a global financial services agency, declared bankruptcy in 2008, the special-purpose trust was affected because the interest on some foreign structured bonds (floated by Lehman) in the asset pool was not paid on time. On November 21, 2008, the special-purpose trust terminated the issuance of revolving beneficial securities. In addition, as of December 31, 2008, USITC recognized a loss of $219,178 thousand based on the estimation of possible losses and also reclassified the beneficial securities to debt receivable.

UNION BANK OF TAIWAN

ASSET QUALITY
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2009					December 31, 2008				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		$ 1,067,545	$ 35,907,507	2.97%	$ 1,041,884	36.41%	$ 1,072,003	$ 34,215,928	3.13%	$ 1,590,205	59.45%
	Unsecured		1,793,942	21,734,030	8.25%			1,603,040	25,015,959	6.41%		
Consumer Banking	Housing mortgage (Note 4)		618,252	104,002,937	0.59%	112,356	18.17%	858,804	110,149,766	0.78%	194,086	22.60%
	Cash card		259,038	1,140,466	22.71%	221,037	85.33%	51,097	1,333,339	3.83%	136,235	266.62%
	Small scale credit loans (Note 5)		180,357	1,898,240	9.50%	147,185	81.61%	1,004,392	3,277,605	30.64%	713,433	71.03%
	Other (Note 6)	Secured	30,644	2,088,942	1.47%	77,589	64.37%	96,771	858,400	11.27%	137,187	41.18%
		Unsecured	89,894	4,084,822	2.20%			236,347	6,610,975	3.58%		
Deposits and Remittances	Certificates of deposit		-	702,960	-	-	-	-	1,322,078	-	-	-
Loan			4,039,672	171,559,904	2.35%	1,600,051	39.61%	4,922,454	182,784,050	2.69%	2,771,146	56.30%
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			$ 306,141	$ 16,852,485	1.82%	$ 579,749	189.37%	$ 584,633	$ 20,744,565	2.82%	$ 542,413	92.78%
Factoring accounts receivable without recourse (Note 7)			-	-	-	-	-	-	-	-	-	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

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

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

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

Note 6: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small scale credit loans.

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

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types \ Items	December 31, 2009		December 31, 2008	
	Not Reported as Nonperforming Loans	**Not Reported as Nonperforming Receivables**	**Not Reported as Nonperforming Loans**	**Not Reported as Nonperforming Receivables**
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 166,778	$ 2,022,394	$ 632,883	$ 2,670,815
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	72,547	977,535	27,862	376,111
Total	239,325	2,999,929	660,745	3,046,926

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

(Concluded)

UNION BANK OF TAIWAN

INFORMATION OF AND PROPORTIONATE SHARE IN INVESTEES
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	The Proportionate Share of the Bank and its Affiliates in Investees				Note
						Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (Thousands)	Percentage of Ownership	
Financial-related										
Union Bills Finance Co.	Taipei	Bills finance	42.76%	$ 1,214,881	$ 17,181	154,886	-	154,886	52.33%	Note
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00%	751,503	43,601	70,000	-	70,000	100.00%	Note
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99%	81,590	(35,831)	30,000	-	30,000	100.00%	Note
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00%	54,041	13,343	11,951	-	11,951	39.84%	Note
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00%	20,824	15,310	500	-	500	100.00%	Note
Taiwan Asset Management Corporation	Taipei	Purchase, sell and manage nonperforming loans from financial institution	0.57%	100,000	7,918	10,000	-	10,000	0.57%	
Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94%	50,000	1,500	5,000	-	5,000	2.94%	
Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53%	38,454	-	3,942	-	3,942	0.53%	
Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44%	3,864	405	386	-	386	6.44%	
Entie Securities Finance Co.	Taipei	Securities finance	12.15%	492,298	-	49,042	-	49,042	12.15%	
Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81%	2,113	512	160	-	160	0.81%	
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99%	24,593	(4,887)	1,000	-	1,000	99.99%	Note
Financial Information Service Co., Ltd.	Taipei	Information service	2.39%	118,782	19,154	9,577	-	9,577	2.39%	
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.08%	4,639	371	247	-	247	0.08%	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04%	71,250	4,783	5,103	-	5,103	2.04%	
Nonfinancial-related										
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00%	61,977	9,114	4,000	-	4,000	80.00%	Note
Fu Hua Venture Corporation	Taipei	Investments	5.00%	23,925	-	3,000	-	3,000	5.00%	
Jiao Da Venture Corporation	Taipei	Investment	5.00%	8,641	-	1,725	-	1,725	5.00%	
Li Yu Venture Corporation	Taipei	Investment	4.76%	7,946	-	1,008	-	1,008	4.76%	
Lian An Service Corporation	Taipei	Security service	5.00%	1,501	125	125	-	125	5.00%	
Save Com International Inc.	Taipei	Telecommunication and net work integration	0.07%	75	-	63	-	63	0.07%	
Taipower Corporation	Taipei	Electricity-related business	0.0012%	6,124	-	395	-	395	0.0012%	
Global Communication Semiconductor, Inc.	U.S.A.	-	1.56%	9,185	-	1,389	-	1,389	1.56%	
Master Card	U.S.A.	Credit card	-	746	7	1	-	1	-	
VISA	U.S.A.	Credit card	-	331,342	2,288	235	-	235	-	

Note: The investees' information shown above is based on audited financial reports as of December 31, 2009.