

2008 Annual Report





I. Spokesman

Name: Mr. Herman Tu / Title: Senior Executive Vice President

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E-mail: Herman_Tu@ubot.com.tw

Second Spokesman

Name: Mr. Yanger Yang / Title: Department Manager

Tel.: 02-27180001

E-mail: Yanger_Yang@ubot.com.tw

II. Head Office/Domestic Branch, address, and telephone: Please refer to page 82 ~ 84.

III. Stock Registration Office

Name: MasterLink Securities Corp.

Homepage: <http://www.masterlink.com.tw>

Address: 6F, 97, Sec. 2, Tun Hwa S. Road, Taipei City

Tel/: (02) 2325-3800

IV. Credit Ratings Institution

Name: Taiwan Ratings Corp.

Homepage: <http://www.taiwanratings.com.tw/>

Address: 49F, 7, Hsin-Yi Rd., Sec 5, Taipei, Taiwan

Tel.: (02) 8722-5800

V. CPA for Financial Statement Auditing

Name: Mr. Ray Chang /Y.J. Wu

Company: T N Soong & Co and Deloitte & Touche

Homepage: <http://www.deloitte.com.tw>

Address: 12F, 156, Minsheng E. Rd., Sec. 3, Taipei, Taiwan

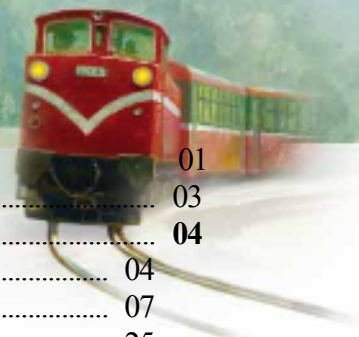
Tel.: (02) 2545-9988

VI. Offshore marketable securities exchange company and transaction information: None

VII. Homepage: <http://www.ubot.com.tw/>



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Appendix 1: Financial Statements for 2007 & 2008



On review of year 2008, the global economy saw an evident slow down primarily due to the U.S. sub-prime crisis. Among which Japan observed negative economic growth in the third quarter and the U.S. and EU nations in the fourth quarter. On the domestic side, with our heavy reliance on exports for economic growth, the downturn in the global economy has directly impaired the country's growth momentum. Private consumption and investments became negative in the later half of 2008. As such, the annual economic growth rate was a mere 0.12%, which was at record low in seven years. The government has adopted aggressive policies to effectively revitalize the domestic economy by continuing promoting the core initiatives of "deregulation and reconstruction" in hope of improving the growth momentum of the domestic economy in the coming year.

By the end of 2008, the Bank made no major change in its existing organization except that, as of December 31, 2008, the Bank employed 109 full-time financial management consultants to service our clients. This will help expand the wealth management business by providing versatile consultative services.

The Bank's operating results, budget execution, financial conditions and profitability, and credit rating for the year of 2008, and its business plan for 2009, external operating factors and future development strategies etc. are summarized as follows:

1. 2008 Operating Results & Budget Execution

As a result of the team effort of our bank staff, average balance of deposits totaled NT\$291,850 million for the year, which was 96.40% of the yearly target of NT\$302,743 million and an increase of NT\$1,410 million or 0.49% growth over NT\$290,440 million for 2007. Average balance of loans for NT\$188,624 million was 93.34% of the yearly target of NT\$202,078 million and was an decrease of NT\$17,434 million or a 8.46% decrease over that attained in 2007. Foreign exchange volume was US\$4,901 million which topped the annual target of US\$4,287 million and was an increase of US\$1,020 million or a 26.28% growth over that achieved a year ago.

2. Financial Condition & Profitability

Net income for 2008 was \$6,265 million while bad debt expense and operating expenses were \$2,692 million and \$5,363 million, respectively. Net loss after tax for 2008 after adding income tax benefits of \$580 million was NT\$1,210 million.

3. Credit Rating

Taiwan Ratings Corporation (henceforth "TRC"), under its perpetual observation, gave its positive recognition on the Bank's overall operating results. TRC announced on December 31, 2008 the Bank's long and short-term ratings to stand at twA- and twA-2, respectively and outlook "Stable". The ratings reflected our effort in establishing a niche position in consumer banking and our sound financing and liquidity structure.

4. 2009 Business Plan

Given the impacts of the external economy, regulatory environment and macro economic factors, the Bank adopted the following business strategies for 2009 as follows: With respect to asset management, we will continue to clear up nonperforming loans and improve the quality and quantity of loans whilst maintaining a balanced risk and return level. In terms of the fund structure, we will fully promote demand deposit accounts to readjust the existing deposit structure and expand the interest rate spread. The bank will continue to boost the expertise and efficiency of its employees through constant education and training programs. The Bank will reasonably evaluate various expenditure and tangibly fulfill the periodic review so as to achieve the objective of expense and cost control.

The Bank substantially wrote off bad debts in recent years. As of the end of 2008, the Bank's NPL rate was



2.69%, while the bad debt coverage rate was 58.22%. For the coming year, the Bank shall spare no effort to write off bad debts, to continuously enhance the risk management mechanism and collection of nonperforming loans, to heighten its business developing capability and to lead all employees to go for the defined objectives. The major business targets were set as follows on the basis of past business performance: average deposit balance for NT\$298,345 million, average loan outstanding for NT\$178,220 million and total foreign exchange volume for US\$5,580 million.

5. External Factors & Future Development Strategies

International forecasting agencies forecasted the level of global economic growth for 2009 to fall far below the 2008 standard. In light of the adverse impacts of the global financial crisis on the domestic economy including a decline in private consumption and slow down in growth momentum, the government has adopted a series of aggressive and effective measures to revitalize the domestic economy including: distribution of consumption vouchers, expansion of investments in public infrastructure projects, the 2008-2009 short-term program to boost employment, short-term skill plus program, the 2009-2012 employment promotion program and tax reduction measures.

To cope with the upcoming diversified challenges, the Bank will continue to adhere to the SME loans, consumer banking and wealth management as the major business categories pursuant to its development strategies, to enhance its competitiveness by virtue of effective management, to upgrade its business performance and build an omnibus financial system to serve the public.

We appreciate very much your long-term patronage and look forward to receiving your continued support and encouragement in the future. We will endeavor to present a marvelous feat of performance under the Bank's operating mottoes of "Enthusiasm, Soundness, Efficiency and Innovation" and improve the quality of service and strengthen customer-bank relationships. Your continued support and encouragement are much valued.

Chairman: Shiang-Chang Lee

President: Jeff Lin





1. Date of Establishment and History

Union Bank of Taiwan was the third private-owned bank approved by the government to be established in the awakening of banking liberalization and globalization. The founders of the Bank shared a common interest of running a perpetual business and together they set up the preparatory office on Mar. 29, 1989 and business operation initiated on Jan. 21, 1992. The Bank was officially listed on the OTC on Sep. 19, 1995 and the Taiwan Stock Exchange Corporate on Jun. 29, 1998, and has now become a widely acclaimed and recognized listed company. The Bank has set up the Ho Chi Minh City Representative Office in Vietnam and Hong Kong Representative Office in Hong Kong for internationalization on February 25, 1998 and August 24, 1999, respectively. To expand business channels and the scale of operations, the Bank has acquired Chung Shing Bank unconditionally on March 19, 2005.

2. Merger, Acquisition, Reinvestment in Affiliated Enterprises and Corporate Restructure for 2008 and Current Year Up to the Printing Date of the Annual Report

There was no merger, acquisition or restructure in 2008. The bank has subsidiaries such as Union Bills Finance Co., Union Finance & Leasing International Corp., Union Securities Investment Trust Corp., Union Insurance Broker Co., Union Information Technology Corp. and Union Finance International (HK) Ltd. (please refer to page 79 for details)

3. Form of Organization

The Bank is a commercial bank limited by shares. The Bank is not a member of a financial holding company.

4. Major Change in or Transfer of Shareholding of Directors, Supervisors and Persons Requiring to Register Such Change Pursuant to Article 25-3 of the Banking Law and Changes in Management Rights and Methods or Other Significant Changes

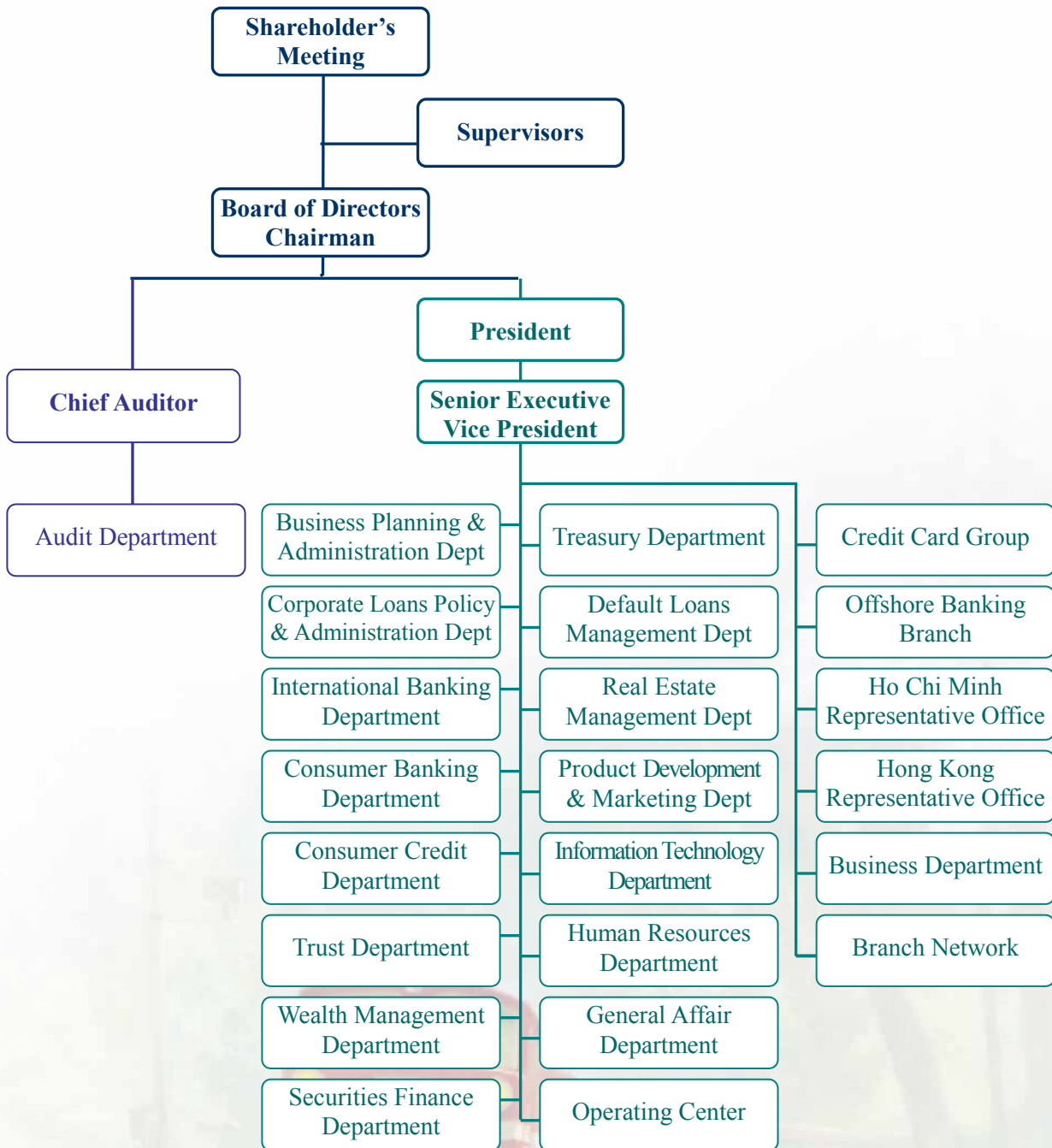
The Bank has embraced the corporate philosophy “Enthusiasm”, “Soundness”, “Efficiency” and “Innovation” since its establishment to offer financial and banking services that match public demand. We have assigned professional managers to manage each major business division. Our shareholder composition only changed slightly in 2008. There was no major transfer or change in shareholding of Directors, Supervisors or persons required to register such change pursuant to Article 25 item 3 of the Banking Law.





1. Organizational Structure

(1) Organizational Chart





(2) Responsibilities of each department:

Audit Department:

Responsible for performing internal audit, planning of internal controls systems and loan reviews.

Business Planning & Administration Department:

Responsible for the Bank's organizational system, execution of budgets, risk management and deposit-taking and remittance businesses.

Corporate Loan Policy & Administration Department:

Responsible for the promotion and management of corporate banking businesses.

International Banking Department:

Responsible for foreign exchange businesses and the preparation to establish and management of overseas branches.

Consumer Banking Department:

Responsible for the promotion and management of consumer banking businesses.

Consumer Credit Department:

Responsible for the promotion and management of consumer credit businesses.

Trust Department:

Responsible for trust business, custodian bank and certification services.

Wealth Management Department:

Responsible for the promotion of wealth management businesses and administration of wealth management personnel.

Securities Finance Department:

Responsible for entrusted trading, underwriting and purchase of marketable securities.

Treasury Department:

Responsible for the Bank's fund appropriation and assets and liabilities management.

Default Loans Management Department:

Responsible for collecting and managing the Bank's non-performing loans and provision of legal consultation services.

Real Estate Administration Department:

Responsible for the appraisal of real estate collaterals and management of collateral received for loans.

Product Development & Marketing Department:

Responsible for the planning and promotion of e-Commerce businesses.

Information Technology Department:

Responsible for the design, execution and maintenance of the Bank's computer system.



Human Resources Department:

Responsible for the managing the Bank's human resource affairs.

General Affairs Department:

Responsible for procurement, fixed asset management and cashier.

Operation Center:

Responsible for data entry, accounting and file management for the various departments.

Credit Card Group:

Responsible for the promotion of and services for credit cards and participating merchants.





1. Information on Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors

A. General Information

March 31, 2009

Title	Name	Date of Appointment	Term	Date of Initial Appointment	Shareholding at Appointment	Current Shareholding	Current Shareholding of Spouse & Minors Children	Shareholding under Other's title	Prime Experience & Education	Current Positions in the Bank and Other Company	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
											Title	Name	Relation
Chairman	Shiang-Chang Lee	2006.06.09	3 Yrs	1991.12.10	1,152,207 0.063%	1,152,207 0.049%	2,108,700 0.091%	-	National Taiwan University President of UBOT	Director of UFI Director of Union Capital (Cayman) Co.	-	-	-
Managing Director	Zhen-Xong Jiang	2006.06.09	3 Yrs	1991.12.10	4,597,043 0.252%	4,597,043 0.198%	-	-	National Defense Medical School Commissioner of International Rotary Club	Managing Director of Union Optronics Corp. Supervisor of Union Bills Finance Corp.	-	-	-
Managing Director	Yu-Pang Co., Ltd., Representative: Jia-Yi Wang	2006.06.09	3 Yrs	1994.06.01	18,962,581 1.039%	18,962,581 0.818%	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute President of Supreme Court	-	-	-	-
Director & President	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	2006.06.09	3 Yrs	1991.12.10	71,684,310 3.927%	71,684,310 3.091%	5,572,921 0.240%	-	Master Degree, National Taiwan University SEVP of Union Bank of Taiwan	Director of The Liberty Times Supervisor of Union Recreation Enterprise Corp. Managing Director of Union Dyeing and Finishing Co., Ltd.; Managing Director of Union Bills Finance Corp. Director of UFI	Director	Sue-Ere C. Lin	Mother & Son
Director	Chung-Li Investment Co., Representative: Yao-Nan Lai	2006.06.09	3 Yrs	1994.06.01	35,454,283 1.942%	198,454,283 8.558%	809,166 0.035%	-	National Taiwan University Chairman of Union Bills & Finance Corp	-	-	-	-
Director	Chung-Li Investment Co., Representative: Sue-Feng Cao	2006.06.09	3 Yrs	1994.06.01	35,454,283 1.942%	198,454,283 8.558%	3,523	-	Taipei Commercial Academy Director of Tien-Sheng Investment Co., Ltd.	Director of Hung-Peng Construction Enterprise Co., Ltd. Director of Tien-Sheng Investment Co., Ltd. Director of Chung-Li Investment Co., Ltd. Supervisor of Union Real Estate Management Corp.	-	-	-

Corporate Governance

Title	Name	Date of Appointment	Term	Date of Initial Appointment	Shareholding at Appointment	Current Shareholding	Current Shareholding of Spouse & Minors Children	Shareholding under Other's title	Prime Experience & Education	Current Positions in the Bank and Other Company	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
											Title	Name	Relation
Director	Union Recreation Enterprise Corp. Representative: Sue-Ere C. Lin	2006.06.09	3 Yrs	1997.06.01	26,577,782 1.456%	26,577,782 1.146%	77,286,891 3.333%	- -	Taipei Commercial Academy Chairman of Union Construction Enterprise Co., Ltd.	Supervisor of The Liberty Times Chairman of Union Enterprise Construction Co., Ltd. Chairman of Hong-Kou Construction Co., Ltd. Director of Lian-Gi Investment Co., Ltd. Chairman of Union Dyeing and Finishing Co. Ltd. Director of Green Island Hotel Co., Ltd. Director of Yu-Pang Co., Ltd. Director of Yung-Hsuan Co. Ltd.	Director / President	Jeff Lin	Mother & Son
Director	Jin-Fu Liu	2006.06.09	3 Yrs	1991.12.10	- -	- -	- -	- -	Taipei Technical Academy Director of Li-Chang Ceramics Co., Ltd.	Director of Lien-Han Industrial Co., Ltd. Director, Li-Chang Ceramics Co., Ltd.	-	-	-
Director	Si-Yong Lin	2006.06.09	3 Yrs	1991.12.10	16,934,581 0.928%	16,934,581 0.730%	1,494,018 0.064%	- -	National Taiwan Normal University Director of Hong-Bung Construction Enterprise Co., Ltd.	Supervisor of Lung Shan Lin Enterprise Co., Ltd. Director of Jen-Yo Investment Co. Ltd. Director of Union Dyeing and Finishing Co., Ltd. Director of Sun-Che Investment Co., Ltd. Director of Pai-Sheng Investment Co., Ltd Director of Chu-Pao Investment Co., Ltd. Chairman of Green Island Hotel Co., Ltd. Director of Union Real Estate Management Corp. Director of Yeh-Shan Construction Co., Ltd. Director of EnTai Securities Finance Co., Ltd. Director of Hong-Bung Construction Enterprise Co., Ltd. Director of Union Optronics Corp.	-	-	-

Corporate Governance

Title	Name	Date of Appointment	Term	Date of Initial Appointment	Shareholding at Appointment	Current Shareholding	Current Shareholding of Spouse & Minors & Children	Shareholding under Other's title	Prime Experience & Education	Current Positions in the Bank and Other Company	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
											Title	Name	Relation
Resident Supervisor	Yu-Quan Development Co., Ltd. Representative: Yu-Quan Lee	2006.06.09	3 Yrs	1997.06.01	8,807,889 0.483%	8,807,889 0.380%	3,505,303 0.151%	- -	National Taiwan Normal University Supervisor of First Commercial Bank	Chairman of TWT Communication Corp. Director of Taiwan 1 st Multiple Media Co., Ltd. Chairman of Tien-How Construction Co., Ltd. Director of Yu-Quan Development Co., Ltd.,	-	-	-
Supervisor	Pao-Hsing Investment Co., Ltd. Representative: Zhen-Lu Lin	2006.06.09	3 Yrs	2006.06.09	90,610,217 4.964%	90,610,217 3.908%	287,308 0.012%	- -	National Taiwan University; President of Formosa Transnational Attorneys At Law	-	-	-	-
Supervisor	Ming-Shing Ho	2006.06.09	3 Yrs	2000.06.01	32,100 0.002%	32,100 0.001%	229,278 0.010%	- -	Soochow University; SEVP of Union Bills Finance Corp.	President of Union Bills Finance Corp.	-	-	-

Note: None of the above has shareholding under other's title.

B. Major Institutional Shareholders

Name of Shareholder	Major Shareholders of Institutional Shareholder
Yu-Pang Co., Ltd.	Sue-Ere C. Lin, Hong-Yao Lin, Hong-Pang Lin, Rung-San Lin, & Jeff Lin
Chung-Li Investment Co., Ltd.	Sue-Feng Cao, Hong-Pang Lin, Tsong-Yu Lee, & Si-Yong Lin
Union Enterprise Construction Co., Ltd.	Sue-Ere C. Lin, Hong-Yao Lin, Ya-Juan Lin, Hong-Pang Lin, & Hsin Ai Lin
Union Recreation Enterprise Corp.	Chi-Dong Chen, Hong-Yao Lin, Hong-Pang Lin, & Jeff Lin
Yu-Quan Development Co., Ltd.	Chao-Mei Lee Tsai, Yu-Quan Lee, Pei-Ling Lee, Pei-Shan Lee, Chung-Hwei Lee, Pei-Chun Lee, Kuan-Bing Wu, & Li-Hsueh Lin
Pao-Hsing Investment Co., Ltd.	Chiu-Tze Lin, Chuan-Jong Chang, Ciao-Yun Huang, Shiou-Chin Lee



C. Professional Knowledge and Independence Information of Directors and Supervisors

Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independence Status (Note 2)										Number of serve as an independent director of public companies	
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
Shiang-Chang Lee			✓			✓	✓	✓			✓	✓	✓	✓	-
Zhen-Xong Jiang			✓	✓		✓	✓	✓			✓	✓	✓	✓	-
Jia-Yi Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Jeff Lin			✓			✓		✓			✓		✓	✓	-
Yao-Nan Lai			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Su-Feng Cao			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Sue-Ere C. Lin			✓	✓				✓			✓		✓	✓	-
Jin-Fu Liu			✓	✓		✓	✓	✓			✓	✓	✓	✓	-
Si-Yong Lin			✓	✓		✓	✓				✓	✓	✓	✓	-
Yu-Quan Lee			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Zhen-Lu Lin			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Ming-Hsing Ho			✓			✓	✓	✓			✓	✓	✓	✓	-

Note 1 : With over 5 years of work experience and the following professional qualification

- (1): Five or more years of experience in Business, Law, Finance, Accounting or Corporate Business Related Fields.
- (2): Judge, Prosecutor, Solicitor, Certified Public Account or professionally qualified and technical person as required by the company.
- (3): Experience in Business, Law, Finance, Accounting or as required by corporate business.

Note 2: Independent status:

- (1): Not an employee of the Bank; nor an employee of its affiliated enterprises.
- (2): Not a director or supervisor of the Bank or its affiliated enterprises (Does not include the independent directors of the Bank or its parent company or subsidiaries in which the Bank holds more than 50% of the shares).
- (3): Does not directly or indirectly own more than 1% of the Bank's outstanding shares; nor is one of the top ten non-institutional shareholders of the Bank.
- (4): Is not a spouse or within second-degree relation or fifth-degree immediate relation to any person specified in the preceding three criteria.
- (5): Is not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Bank's issued shares; nor a director, supervisor or employee of the top five legal entities which are owners of the Bank's issued shares.
- (6): Is not a director, supervisor, or manager of a company which has a business relationship with the Bank; nor a shareholder who owns more than 5% of such a company.
- (7): Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with financial, business consulting, or legal services.
- (8): Is not a spouse or within second-degree relation to other directors.
- (9): Is not a person under the circumstances specified in Article 30 of the R.O.C. Company Act.
- (10): Is not a government agency, juristic person or its representative pursuant to Article 27 of the R.O.C. Company Law.



D. Directors' and Supervisors' Training Record

Title	Name	Date of Training		Organizer	Course Name	Hours
		From	To			
Chairman	Shiang-Chang Lee	2001.02.26	2001.02.26	Taiwan Academy of Banking & Finance	The 14 th Symposium for Senior Management	3
		2001.05.17	2001.05.17	Taiwan Academy of Banking & Finance	Symposium for Senior Trust Officers	6
		2001.06.21	2001.06.27	Union Bank of Taiwan	Create Sales Opportunities Seminar	4
		2002.01.31	2002.01.31	Taiwan Academy of Banking & Finance	Case Study on Bank Reform – Also Discussion on the Impact of Changes in Banks' Corporate Governance Standards on Bank Management	6
		2004.02.04	2004.02.04	Taiwan Securities Association	Seminar for Senior Securities Dealing Officers	7.5
		2007.03.15	2007.03.15	Taiwan Securities Exchange	Independent director in Corporate Governance Forum	3
		2007.06.7	2007.06.7	Financial Supervisory Commission	The 4 th Taipei Corporate Governance Forum	6
Director	Jeff Lin	2006.07.11	2006.07.11	Taiwan Academy of Banking & Finance	Symposium for Senior Trust Officers	3
Director	Sue-Feng Cao	2007.09.14	2007.09.14	Securities & Futures Institute	Practice of (independent) directors & Supervisors	3
Supervisor	Ming-Shing Ho	2005.03.10	2005.03.10	Taiwan Academy of Banking & Finance	Corporate Governance Seminar	3
		2008.04.11	2008.04.11	Taiwan Securities Association	Behavioral patterns and case analysis of trading behaviors	3

Note: The hours, scope, system, arrangement and information disclosure of training courses are in compliance with the “Criteria Governing the Training of Directors and Supervisors of Public Companies”.



(2) President, SEVP, Chief Auditor, EVP and Managers of Departments/Branches

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
President	Jeff Lin	2006.08.02	5,572,921 0.305%	-	-	Master Degree, National Taiwan University SEVP of UBOT	Director of The Liberty Times Supervisor of Union Recreation Enterprise Corp. Executive Director of Union Dyeing and Finishing Co., Ltd. Director of UFI & Union Bills Finance Corp	-	-	-
SEVP	Hao-Sen Lee	1999.08.01	223,847 0.010%	25,220 0.001%	-	Chinese Culture University; EVP of UBOT	Director of Union Information Technology Co., Ltd. Director of Union Finance & Leasing (International) Co., Ltd. Director of Union Bills Finance Corp.	-	-	-
SEVP	Herman Tu	2006.07.01	176,567 0.008%	173,956 0.008%	-	Chinese Culture University; EVP of UBOT	Director of Union Finance & Leasing (International) Co., Ltd. Supervisor of Union Bills Finance Corp. Executive Director of EnTie Securities Finance Co., Ltd.	-	-	-
SEVP	Yin-Bor Chan	2006.07.01	312,264 0.013%	-	-	Tamkang University; EVP of UBOT	Supervisor of Union Finance & Leasing (International) Co., Ltd. Director of Union Bills Finance Corp.	-	-	-
Chief Auditor	Yen-Jye Chang	1998.02.23	141,530 0.006%	3,038 0.000%	-	School of Finance, Military Academy; Chief of Auditor of UBOT	-	-	-	-
EVP & GM of IBD & OBU	Patrick Jean	2006.07.01	71,394 0.003%	-	-	National Cheng Chi University; VP and Branch Manager of Taipei Br.	Director of UFI	-	-	-
EVP & GM of Corporate Loan Policy & Admin. Dept.	Cheng-Yu Liu	2006.09.01	-	-	-	Takming College EVP of Taipei Corporate Banking Center of UBOT	-	-	-	-
VP & GM of Head Office	Peter Chien	2006.06.26	37,250 0.002%	-	-	Panchiao Senior High School VP & Branch Manager of Hsinchuang Branch	Supervisor of Union Bills Finance Corp.	-	-	-
VP & GM of Business Planning & Admin. Dept.	Yanger Yang	2006.06.22	-	-	-	Master Degree, Tunghai University; VP and Deputy GM of Business Planning & Admin. Dept. of UBOT	Director of Lian-An Service Co. Ltd.	-	-	-

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & GM of Consumer Banking Dept.	Kuo-Shien Shia	2005.06.27	-	10,000 0.000%	-	- Tamkang University; - Manager of Cathay United Bank	Supervisor of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd.	-	-	-
VP & GM of Consumer Credit Dept.	Joy Tang	2004.03.22	57,804 0.002%	-	-	Master Degree, Memphis State University; - VP & Deputy GM of Consumer Banking Dept.	-	-	-	-
VP & GM of Trust Dept.	Hann-Tsau Tsai	2006.06.22	146,276 0.006%	2,000 0.000%	-	Chung Yuan Christian University - VP & GM of Business Planning & Admin. Dept of UBOT	Supervisor of EbizPrise Inc.	-	-	-
VP & GM of Wealth Management Dept.	Sophie Hsu	2005.11.21	-	-	-	Master Degree, Canada Royal University; - Executive VP of Business Development Dept. of ING	Director of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd.	-	-	-
VP & GM of Securities Finance Dept.	Chin-Ten Chuang	2005.02.01	1,000 0.000%	-	-	Chung Yuan Christian University; - Security Brokerage Manager of Chiayi Branch	-	-	-	-
VP & GM of Treasury Dept.	Tarsicio Tong	1998.09.01	53,858 0.002%	-	-	- National Taiwan University; - VP & Deputy GM of IBD of UBOT	-	-	-	-
VP & GM of Default Loans Management Dept.	Diana Tsai	2007.08.01	1,676 0.000%	-	-	Fu Jen Catholic University - VP and Deputy GM of Default Loans Management Dept	Director of MSUB	-	-	-
VP & GM of Real Estate Administration Dept.	Michael Lee	2004.03.05	42,638 0.002%	-	-	Master Degree, National Cheng Chi University; - VP & Branch Manager of Hueilong Branch	-	-	-	-
GM of Product Development & Marketing Dept.	Pauline Sheng	2008.11.01	5,000 0.000%	-	-	Tamkang University - VP & Branch Manager of Wenlin Mini Branch	-	-	-	-
VP & GM of Information Technology Dept.	Luke Yang	2006.07.01	62,000 0.003%	-	-	Masters Degree, National Taiwan University; - Deputy GM of IT Dept. of UBOT	Director of Union Information Technology Co., Ltd.	-	-	-

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & GM of Human Resources Dept	Michael Lin	1999.12.01	-	-	-	National Chung Hsing University; VP & Deputy GM of Human Resources Dept.	-	-	-	
VP & GM of General Affairs Dept.	Russell Chang	2003.10.01	112,091 0.005%	-	-	Taiwan Institute of Technology; VP & Deputy GM of General Affairs Dept.	-	-	-	
VP & GM of Operation Center	Shu-Feng Hsueh	2005.09.06	8,000 0.000%	2,144 0.000%	-	National Cheng Chi University; AVP of Hsintien Branch	-	-	-	
Executive Director of Credit Card Group	Tiffany Yu	2008.09.08	31,000 0.001%	-	-	Master Degree, National Cheng Chi University; VP & GM of Product & Marketing Dept.	Director of EnTie Securities Finance Co., Ltd., Li-Yu Venture Co. & Euroc III Venture Capital Corp. Director of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd. Supervisor of Union Information Technology Co., Ltd.	-	-	-
VP & GM of Business Dept.	Lin-Sheng Yu	2008.05.05	5,000 0.000%	-	-	National Taiwan Ocean University VP & Branch Manager of Luchou Branch	-	-	-	
EVP & Branch Manager of Taipei Branch	Roger Wang	2006.07.01	177,132 0.008%	6,147 0.000%	-	National Taiwan University; EVP & GM of IBD of UBOT	Director of UFI	-	-	-
VP & Branch Manager of Taoyuan Branch	Jen-Chung Cheng	2006.07.01	-	-	-	National Cheng Chi University VP & Branch Manager of Panchiao Branch	-	-	-	
VP & Branch Manager of Taichung Branch	Meng-Hsia Wu	2007.11.05	57,987 0.003%	-	-	National Tsao-Tun Commercial & Industrial Vocational Senior High School; VP & Branch Manager of Minchuan Branch	-	-	-	
VP & Branch Manager of Nanking E. Road Branch	Ching-Wen Chen	2006.07.01	-	-	-	Soochow University; VP & Branch Manager of Shuanho Branch	-	-	-	

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & Branch Manager of Chungli Branch	Chang-Yung Chen	2000.08.23	120,727 0.005%	-	-	National Taipei College of Commerce (Corresponding School) - VP & Branch Manager of Neili Branch	-	-	-	
VP & Branch Manager of Sanchung Branch	Steven Huang	2007.06.01	10,731 0.000%	-	-	- National Taipei College of Commerce - VP & Branch Manager of Houpu Branch	-	-	-	
VP & Branch Manager of East Taipei Branch	Kuo-Pao Kang	2005.07.01	-	-	-	- National Chiao Tung University; - Manager of Cathay United Bank	-	-	-	
VP & Branch Manager of Kaohsiung Branch	Rung-Hui Huang	2008.06.01	-	-	-	Feng Chia University; - Manager of Kaohsiung Corporate Banking Center of UBOT	-	-	-	
VP & Branch Manager of Panchiao Branch	Chi-Pin Chen	2006.07.01	503 0.000%	-	-	National Cheng Chi University- Open Junior College of Commerce; - VP & Branch Manager of Nankan Branch	-	-	-	
VP & Branch Manager of Tainan Branch	Ping-Hui Lin	2008.05.16	-	-	-	- Aletheia University; - Manager of En Tie Bank	-	-	-	
VP & Branch Manager of Yuanlin Branch	Min-Fei Wang	2007.06.01	32,855 0.001%	-	-	Chinese Culture University - VP & Branch Manager of Minchuan Branch	-	-	-	
VP & Branch Manager of Jenai Branch	Wu-Lien Peng	2000.02.21	206,741 0.009%	12,402 0.001%	-	National Taipei College of Commerce- Open Junior College of Commerce - VP & Branch Manager of Neili Branch	-	-	-	
VP & Branch Manager of Nankan Branch	Ching-Chang Lin	2006.07.01	112,140 0.005%	-	-	- Chinese Culture University - VP & Branch Manager of Tatze Branch	-	-	-	
VP & Branch Manager of Hsinchu Branch	Tawei Shih	2007.06.01	1,042 0.000%	-	-	Master Degree, Tamkang University; - AVP & Division Head of Chenshin Branch	-	-	-	

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & Branch Manager of Luchou Branch	Guo Luen Huang	2008.05.05	- -	- -	-	Master Degree, University of Dallas, U.S.A. - VP & GM of Taipei Corporate Banking Center	-	-	-	
VP & Branch Manager of Chiuju Branch	Lister Lee	2000.06.01	68,000 0.003%	- -	-	National Cheng Kung University-Open Junior College of Commerce; - Manager of Kaohsiung Bank	-	-	-	
VP & Branch Manager of Shuanho Branch	Hung-Min Chen	2008.05.05	25,492 0.001%	247 0.000%	-	Feng Chia University - VP & Branch Manager of Hsichih Branch	-	-	-	
VP & Branch Manager of Hueilong Branch	Ru-Ji Cheng	2004.03.05	623 0.000%	- -	-	Feng Chia University; - VP & Deputy Manager of Taoyuan Branch	-	-	-	
VP & Branch Manager of Chiayi Branch	Chen-Yueh Wu	2006.09.01	- -	- -	-	Feng Chia University; - VP of China Trust Commercial Bank	-	-	-	
VP & Branch Manager of Kungkuang Branch	Wendy Chi	2001.06.01	55,771 0.003%	- -	-	Master Degree, University of Texas - VP & Deputy Branch Manager of Savings Dept.	-	-	-	
VP & Branch Manager of Neili Branch	Ching-An Chen	2000.08.16	11,294 0.000%	- -	-	Master Degree, National Central University - VP & Deputy Branch Manager of Taoying Branch	-	-	-	
VP & Branch Manager of Chunghsiao Branch	Jane Lu	2003.10.01	101,695 0.004%	- -	-	Master Degree, University of Illinois - VP & Branch Manager of Tunghua Mini Branch	-	-	-	
VP & Branch Manager of Hsinchuang Branch	Jeffery Tsai	2006.06.26	- -	- -	-	Master Degree, Fu Jen Catholic University - VP & Deputy Branch Manager of Hsinchuang Branch	-	-	-	
VP & Branch Manager of Fengshan Branch	Kuein-Yung Tsai	1999.10.25	46,424 0.002%	- -	-	Feng Chia University - VP & Deputy Branch Manager of Kaohsiung Branch	Business Execution shareholder of Chin Ho Enterprise Co.	-	-	

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & Branch Manager of Taoying Branch	Ching-Shou Liu	1997.07.10	193,395 0.008%	-	-	National Taipei College of Commerce - Open Junior College of Commerce - VP & Deputy Branch Manager of Taoyuan Branch	-	-	-	
VP & Branch Manager of Lungtan Branch	Han-Chou Chiu	2006.01.02	638 0.000%	-	-	Longhua Technological Academy - VP & Deputy Branch Manager of Taoyuan Branch	-	-	-	
VP & Branch Manager of Hsintien Branch	Chang-Chen Lin	2007.06.01	-	-	-	National Taiwan University - VP & Deputy Branch Manager of Hsintien Branch	-	-	-	
VP & Branch Manager of Tatze Branch	Tereasa Lin	2009.01.01	369 0.000%	-	-	- Chihlee Institute of Technology - Chief of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Chungshan Mini Branch	Li-Jen Wong	2006.12.01	897 0.000%	-	-	National Taiwan University - AVP of Business Planning & Admin. Dept.	-	-	-	
VP & Branch Manager of Wenshin Branch	Amy Chung	2009.01.01	12,673 0.001%	-	-	National Cheng Kung University - AVP & Division Head of Minchuan Branch	-	-	-	
VP & Branch Manager of Chenshin Branch	Simon Tang	2005.08.15	-	-	-	- Soochow University; - Manager of Cathay United Bank	-	-	-	
VP & Branch Manager of Chungho Branch	Simon Wang	2002.12.23	1,778 0.000%	-	-	Master Degree, National Cheng Chi University; - VP & GM of Business Planning & Admin. Dept.	-	-	-	
VP & Branch Manager of Neihu Branch	Ying-Feng Wang	2000.01.27	74,795 0.003%	48,618 0.002%	-	Master Degree, Tatung Institute of Technology - VP & GM of Human Resources Dept.	-	-	-	
VP & Branch Manager of Dayuan Branch	Wei-Chung Liu	2006.01.02	68,191 0.003%	-	-	Pinzon Commercial/Industrial School - VP & Branch Manager of Lungtan Branch	-	-	-	

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & Branch Manager of Yungho Branch	Hsiu-Yun Su	2005.03.19	-	-	-	Master Degree, Dallas Baptist University - Manager of Chung Shin Bank	-	-	-	
VP & Branch Manager of Chungkung Mini Branch	Wen-Chien Chien	2001.01.15	69,687 0.003%	-	-	Ming Chuan College; - VP & Deputy Branch Manager of Chunghsiao Branch	-	-	-	
VP & Branch Manager of Tonghwa Mini Branch	Mei-Lan Lin	2007.10.01	1 0.000%	-	-	Soochow University; - AVP & Division Head of Consumer Credit Dept.	-	-	-	
VP & Branch Manager of Shihitung Mini Branch	Chan-Kwei Chen	2001.10.16	38,000 0.002%	-	-	Feng Chia University - VP & Deputy Branch Manager of Chunghsiao Branch	-	-	-	
VP & Branch Manager of Breeze Center Mini Branch	Chien-Lung Chen	2006.01.19	49,501 0.002%	-	-	- Master Degree, Aletheia University - AVP of Breeze Center Mini Branch	-	-	-	
VP & Branch Manager of Changchun Branch	Chih-Chung Chang	2005.03.19	14,532 0.001%	-	-	National Chiao Tung University - VP & Branch Manager of Chengdong Branch	-	-	-	
VP & Branch Manager of Sungchiang Branch	Ching-Shan Chang	2005.03.19	-	-	-	Master Degree, Fu Jen Catholic University - Manager of Chung Shing Bank	-	-	-	
VP & Branch Manager of Taan Branch	Lanny Liaw	2005.03.19	-	-	-	- National Taipei College of Commerce; - VP & Deputy GM of Trust Dept.	-	-	-	
VP & Branch Manager of Yungchi Branch	Ying-Na Hsu	2006.12.13	793 0.000%	713 0.000%	-	National Cheng Chi University; - AVP of Business Planning & Admin Dept.	-	-	-	

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & Branch Manager of Wenlin Mini Branch	Yu-Ling Kuo	2008.11.01	52,870 0.002%	-	-	Takming College - VP & Deputy GM of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Tungmen Branch	Jimmy Chou	2007.06.11	799 0.000%	-	-	Soochow University; - VP & Deputy GM of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Tunhwa Branch	Shen-Yung Peng	2005.03.19	7,529 0.000%	1,031 0.000%	-	- Ching Yun University; - Chief of National Cash Card Dept.	-	-	-	
VP & Branch Manager of Hsihu Branch	Mary Huang	2006.12.01	-	-	-	National Taipei College of Commerce- Open Junior College of Commerce - AVP of Luchou Branch	-	-	-	
VP & Branch Manager of Beitou Branch	Cheng-Tai Rong	2006.12.01	102,150 0.004%	-	-	Tamsui Oxford College; - VP & Deputy Branch Manager of Neihu Branch	Director of Proavio Co., Ltd. 1	-	-	
VP & Branch Manager of N. Sanchung Branch	Teh-Chin Tsai	2005.03.19	84,883 0.004%	-	-	Kai Nan High School of Commercial and Industry; - AVP of Sanchung Branch	-	-	-	
VP & Branch Manager of Houpu Branch	Su-Yean Lo	2007.06.26	-	-	-	National Changhua Senior School of Commerce - AVP of Houpu Branch	-	-	-	
VP & Branch Manager of N. Chunggho Mini Branch	Che-Ming Hsu	2001.01.15	24,000 0.001%	6,724 0.000%	-	National Taipei College of Commerce- Open Junior College of Commerce - VP & Branch Manager of Yunggho Mini Branch	-	-	-	
VP & Branch Manager of Fuguo Branch	Shih-Wen Lu	2005.03.19	-	-	-	- Takming Junior College of Commerce - Chief of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Shulin Branch	Chi-Chun Wang	2005.03.19	24,492 0.001%	-	-	National Chung Hsing University - Chief of Consumer Banking Dept.	-	-	-	

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & Branch Manager of Hsichih Branch	Chean-Han Pan	2008.05.05	393 0.000%	- -	- -	- Aletheia University; - Chief of Consumer Banking Dept.	-	-	-	-
VP & Branch Manger of N. Taoyuan Branch	James Tsai	2005.03.19	33,014 0.001%	- -	- -	- Tamkang University - Chief of Consumer Banking Dept.	-	-	-	-
VP & Branch Manager of N. Chungli Branch	Ping-Ching Chiang	2005.03.19	95,545 0.004%	- -	- -	National Taipei College of Commerce- Open Junior College of Commerce - Chief of Consumer Banking Dept.	-	-	-	-
VP & Branch Manager of N. Taichung Branch	Hui-Fen Chao	2005.03.19	73,526 0.003	- -	- -	- Chihlee Institute of Technology - AVP of Wenshin Branch	-	-	-	-
VP & Branch Manager of Minchuan Branch	Jeng-Ping Liou	2007.11.05	126,789 0.005%	- -	- -	Graduate School of Dayeh University - VP & branch manager of Taichung Branch	-	-	-	-
VP & Branch Manager of Hsitun Branch	Shih-Yuan Liaw	2005.03.19	- -	- -	- -	- Hsinming Commercial School - Manager of Chung Shing Bank	-	-	-	-
VP & Branch Manager of Singchung Branch	Chiung-Yu O	2005.03.19	19,640 0.000%	- -	- -	- Feng Chia University - Manager of Wenshin Branch	-	-	-	-
VP & Branch Manager of Beitun Branch	Chien-Chung Wu	2005.03.19	19,000 0.001%	- -	- -	The Overseas Chinese Institute of - Technology; - Manager of National Cash Card Department	-	-	-	-
VP & Branch Manager of S. Yuanlin Branch	Wu-Yuan Chen	2005.03.19	38,000 0.002%	- -	- -	- National Open University - AVP of National Cash Card Dept.	-	-	-	-
VP & Branch Manager of East Chiayi Branch	Shan-Chih Yen	2005.03.19	47,173 0.002%	3,531 0.000%	- -	Master Degree, Chiayi University; - AVP of National Cash Card Dept.	Supervisor of Zhong-Guan Foods Enterprise Co., Ltd.	-	-	-

Corporate Governance

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								Title	Name	Relation
VP & Branch Manager of Fucheng Branch	Yao-Tsung Kao	2006.12.04	18,697 0.001%	- -	-	Soochow University VP & Branch Manager of Chihkan Branch	-	-	-	
VP & Branch Manager of Fongyuan Branch	Ta-Yu Chin	2006.12.04	30,000 0.001%	- -	-	Tamkang University VP & Deputy Branch Manager of Wenshin Branch	-	-	-	
VP & Branch Manager of Fuchiang Branch	Pi-Jen Wu	2005.12.01	5,000- -	- -	-	Kuoichi Junior College of Commerce VP & Deputy Branch Manager of Fuchiang Branch	-	-	-	
VP & Branch Manager of Kaiyuan Branch	Roger Chang	2005.03.19	53,620 0.002%	- -	-	National Open University Chief of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of S. Tainan Branch	Hsien-Ming Yen	2005.03.19	- -	- -	-	Feng Chia University; Manager of E-Sun Bank	-	-	-	
VP & Branch Manager of Lingya Branch	Feng-Li Lin	2005.03.19	32,000 0.001%	- -	-	Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch	-	-	-	
VP & Branch Manager of N. Kaohsiung Branch	Miao-Hui Yeh	2005.03.19	66,632 0.003%	- -	-	Master Degree, New York University VP & Deputy Branch Manager of Chiuju Branch	-	-	-	
VP & Branch Manager of Sanmin Branch	Ming-Chang Wang	2005.03.19	32,767 0.001%	- -	-	National Cheng Chi University Chief of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Wuchia Branch	James Ho	2005.03.19	24,792 0.001%	- -	-	Master Degree, National Chung Hsing University VP & Deputy Branch Manager of Fengshan Branch	-	-	-	
VP & Branch Manager of Pingtung Branch	Yueh-Song Lin	2006.09.01	- -	- -	-	Ping Tung Commercial/Industrial School VP & Deputy Branch Manager of Pingtung Branch	-	-	-	

Corporate Governance

Title	Name	Date Elected	Shareholding (Shares & %)	Shareholding of Spouse & Minor Children	Shareholding under others' title	Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
								Title	Name	Relation
VP & Branch Manager of Hoping Branch	Yo-Yii Lin	2006.01.19	127,627 0.006%	6,055 0.000%		National Cheng Chi University - (Corresponding School) - VP & Branch Manager of Tayuan Branch	-	-	-	
VP & Branch Manager of Yongchun Branch	Wen-Hui Lin	2006.07.19	34,846 0.002%	- -		Tamkang University - VP & Deputy Branch Manager of Taipei Branch	-	-	-	
VP & Branch Manager of Tenshin Branch	Ru-Jwu Tsai	2009.01.01	2,492 0.000%	891 0.000%		Soochow University - Special Assistant of Administration	-	-	-	
VP & Branch Manager of Ankang Branch	Kuen-Cheng Chou	2007.02.08	539 0.000%	- -		National Chung Hsing University - VP & Deputy Branch Manager of Nanking E. Branch	-	-	-	
VP & Branch Manager of Dajhu Branch	Jyh-chiang Huang	2007.07.25	32,759 0.001%	16,363 0.001%		National Chiao Tung University - VP & Deputy Branch Manager of Taoying Branch	-	-	-	
VP & Branch Manager of Gueishan Branch	Ching-Tien Yo	2008.07.28	- -	- -		National Chung-Li High School - AVP & Division Head of Dayuan Branch	-	-	-	
VP & Branch Manager of Linkou Branch	Shiu-Lan Hsieh	2008.12.04	- -	- -		National Taipei College of Commerce- - Open Junior College of Commerce - VP & Deputy Branch Manager of Taipei Corporate Banking Center	-	-	-	



C. President, Senior Executive Vice Presidents & Chief Auditor's Remuneration and Range

(In NT\$ thousand)

Title	Name	Remuneration (A)		Termination payment and pension costs (B)		Bonus & Special Allowance (C)		Employees' Bonus from Earnings (D)				Total of (A+B+C+D) as a % of Net profit after tax		Total No. of Shares Issued for Employee Stock Option		Remuneration from Investee Companies Excluding Subsidiaries
		The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank		All Companies in the Consolidated Statement		The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	
								Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend					
President	Jeff Lin	0	0	0	0	0	0	0	0	0	0	(Not Applicable)	0	0	-	
SEVP	Hao-Sen Lee	12,787	12,787	1,755	1,755	4,411	4,411	0	0	0	0		0	0	-	
SEVP	Herman Tu												0	0	-	
SEVP	Yin-Bor Chan												0	0	-	
Chief Auditor	Yen-Jye Chang												0	0	-	

Note 1 : Refers to provision for termination payment and pension costs in relation to the expensing of employee bonus and directors and supervisors' remuneration first introduced in 2008. The actual payments have not been made.

Note 2 : Not applicable as the Bank derived a loss after tax for the 2008 income year.

Note 3 : Remuneration to 3 drivers amounted to NT\$1,787 thousand.

(In NT\$ thousand)

Range of Remuneration Paid to President, Senior Executive Vice Presidents & Chief Auditor	Name of President, Senior Executive Vice Presidents & Chief Auditor	
	UBOT	All the Companies in the Consolidated Statement
Less than NT\$ 2,000	Jeff Lin	Jeff Lin
NT\$2,000 (inclusive) ~ NT\$5,000	Herman Tu、Yen-Jye Chang	Herman Tu、Yen-Jye Chang
NT\$5,000 (inclusive) ~ NT\$10,000	Hao-Sen Lee、Yin-Bor Chan	Hao-Sen Lee、Yin-Bor Chan
Total	5	5

D. Bonus to Executive Officers: None.

(4) Analysis of and Principles of Payments of Remuneration to President, Senior Executive Vice Presidents & Chief Auditor

- The total remuneration paid to Directors, Supervisors, the President, Senior Executive Vice Presidents and Chief Auditor (a total of 17 people) by the Bank and all companies included in the consolidation totaled \$25,618 thousand and \$28,743 thousand, respectively for 2007 and \$26,349 thousand and \$29,769 thousand, respectively for 2008. There was little change in the amount of total remuneration paid. Both the Bank and all companies included in the consolidation derived after-tax net loss for the past two years. As such, it is not applicable to compute the percentage of the total remuneration paid to the aforesaid employees against net income after tax.
- Remuneration paid to directors and supervisors primarily include transportation allowance, meeting attendance fees and salaries. All remuneration is paid on a fixed basis. Remuneration to the Bank's President and SEVP is made in accordance with their respective



experience, quality, involvement in and contribution to the Bank's operation and industry standards. The Board is authorized to determine remuneration which is granted to the management under the Bank's Articles of Incorporations. In addition to monthly base salaries and allowances, executives may also be eligible for the annual and performance bonus depending on the annual results of operation and individual performance.

3. Corporate Governance Implementation Status

(1) Board of Directors

The Board of Directors hosted 7 meetings in 2008. The status of attendance is as follows:

Title	Name	No. of actual attendance	Proxy	% of actual attendance
Chairman	Shiang-Chang Lee	7	0	100%
Managing Director	Zhen-Xong Jiang	6	0	86%
Managing Director Yu-Pang Co., Ltd. Representative	Jia-Yi Wang	7	0	100%
Director Union Enterprise Construction Co., Ltd. Representative	Jeff Lin	7	0	100%
Director Chung-Li Investment Co., Ltd. Representative	Yao-Nan Lai	7	0	100%
Director Chung-Li Investment Co., Ltd. Representative	Sue-Feng Cao	7	0	100%
Director Union Recreation Enterprise Corp. Representative	Sue-Ere C. Lin	0	0	0%
Director	Jin-Fu Liu	2	2	29%
Director	Si-Yong Lin	7	0	100%

Other supplementary notes:

- Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion as stipulated in Article 14-3 of the Securities and Exchange Act: The Bank has not instituted independent director(s).
- The motion for interested parties in 2008 involved 5 credit extension cases, 4 procurement cases for land and buildings and office premises lease and 1 case of credit collection outsourcing. The relevant interested parties including Jeff Lin, Cao Su-Feng, Lin Si-Yong, Lin Chang Sue-Ere, Jiang Zhen-Xong and Liu Jin-fu. All Directors ensure stringent self-discipline and compliance with regulatory and corporate requirements.
- Measures taken to strengthen the functionality of the Board: The Bank has put in place the "Rules Governing Board of Directors' Meeting", which stipulate that the board meeting shall be convened at least once every other month. The Rules stipulate that Directors attending the meeting in person shall recuse themselves in case of conflict of interest situations. They shall not appoint any other directors to exercise the voting right on behalf of them either, while the other present directors proceeded solely with the voting. All Directors shall strictly comply with the provision. All proposals submitted to the Board for adoption are fully evaluated and discussed prior to handing them down to the management team for implementation. Besides, the Bank has participated in several sessions of Information Disclosure Review administered by the Securities and Futures Institute and is considered an institution that engages in more transparent voluntary information disclosure practices.



**(2) Supervisors' Attendance in Board Meeting
(The Bank Has Not Instituted an Audit Committee.)**

The Board of Directors hosted 7 meetings in 2008. The status of attendance is as follows:

Title	Name	No. of actual attendance	% of actual attendance	Note
Resident Supervisor Yu-Quan Development Co.,Ltd. Representative	Yu-Quan Lee	0	0%	-
Supervisor Pao-Hsing Investment Co., Ltd. Representative	Zhen-Lu Lin	6	86%	-
Supervisor	Ming-Shing Ho	7	100%	-

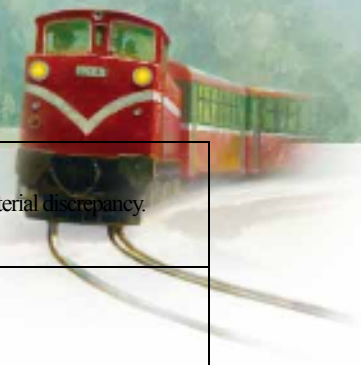
Other supplementary notes:

- Composition and Responsibilities of Supervisors :
 - Communication between Supervisors and the Banks' employees and shareholders: The Bank's Supervisors communicate with employees and shareholders from time to time in person or by telephone and fax. The Bank's official website also provides the avenue for communication between stakeholders and Supervisors.
 - Communication between Supervisors and Internal Audit Supervisors and Independent Accountants: The Bank's Supervisors communicate with internal audit supervisors and independent accountants from time to time by correspondence or through telephone. Periodic meetings are convened during the year to discuss the Bank's financial statements, major audit adjustments and major revisions to or promulgation of regulations. The meetings ensure sound communication of the relevant matters between the concerned parties.
- Any opinion put forward by the Supervisor(s) shall include the date of the Board Meeting, term, details of the proposal, results of the Board resolution and the Bank's action on handling the Supervisors' opinion: None.

**(3) Compulsory Disclosure in Accordance with Principles Governing Corporate Governance Practices of Banks: Please Refer to the Bank's Official Website:
<http://www.ubot.com.tw>**

(4) The Bank's Practice of Corporate Governance and Differentiations with Standard Corporate Governance Practices of Banks.

Item	Execution	Reason of differentiation
1. The Bank's shareholder structure and shareholder rights <ol style="list-style-type: none"> Ways in which the Bank handles shareholders' recommendations or disputes. Ways in which the Bank regularly monitors the list of key shareholders who have management control of the Bank, or those who have ultimate control of key shareholders. Ways in which the Bank establishes proper risk control mechanisms and firewalls between the Bank and its affiliated enterprises. 	<ol style="list-style-type: none"> Problems related to shareholders' suggestions and disputes are handled by the Bank's designated personnel, which may refer the issue to the relevant departments to address. In accordance with the information detailed in the Shareholder Register current on the ex-dividend date, report changes in shareholding with the Taiwan Stock Exchange Corp. on a monthly basis pursuant to Article 25 of the Securities Exchange Act to keep track of the shareholding status of major shareholders. The Bank has put in place the "Standards Governing Supervision and Control by the Union Bank of Taiwan Over Subsidiaries", which stipulate the risk management policies applicable between the Bank and its subsidiaries. In addition, all related party transactions are carried out in accordance with regulatory requirements. 	The Bank's practices are in accordance with the relevant requirements, and there is no material discrepancy.
2. Composition and responsibilities of Directors: <ol style="list-style-type: none"> Institution of Independent Directors. Regular evaluation of external auditors' independence. 	<ol style="list-style-type: none"> Currently, the Bank has not instituted Independent Directors. However, the qualifications of all current Directors meet the requirements set forth in the "Standards Governing Qualifications of the Responsible Person of Banks" stipulated by the Financial Supervisory Commission. The Board of Directors evaluates, on a regular basis the independence status of the Bank's external auditors. 	<ol style="list-style-type: none"> The Bank has not instituted Independent Directors. No material discrepancy.



<p>3. Establishment of communication channels with stakeholders</p>	<p>In accordance with the Banking Law, the Bank has documented stakeholders' information and ensures that communication between the Bank and stakeholders is free and open to facilitate sound development of the Bank.</p>	<p>No material discrepancy.</p>
<p>4. Information Disclosure (1) Establishment of corporate website to disclose information regarding the Bank's financials, business and corporate governance status. (2) Other information disclosure channels (e.g. English website, appointing responsible people to handle information collection and disclosure, appointing spokesperson, webcasting investor conference)</p>	<p>(1) The Bank's financial information and corporate governance practices and other information requiring disclosure prescribed by the securities commission are disclosed on a regular basis on the Bank's official website at www.ubot.com.tw. (2) A designated department is assigned to be in charge of the collection and disclosure of information published on the Bank's corporate website. (3) The Bank has appointed a spokesperson and acting spokesperson to make official statement. (4) The annual report is prepared each year, disclosing the relevant information in accordance with the "Standards Governing Information to be published in the Annual Report of Banks".</p>	<p>No material discrepancy.</p>
<p>5. Operations of the Bank's audit committee and other committees of the Board of Directors</p>	<p>(1) The Bank has appointed a Chief Auditor, overseeing the Bank's internal audit affairs. The seniority of the Chief Auditor is equivalent to that of the SEVP. The Internal Audit Department reports directly to the Board of Directors and is responsible for monitoring the operations of the respective business units. (2) To enhance existing management mechanism, the Bank has set up the Assets and Liabilities Management Committee, Automated Services Committee, Investment and Credit Assessment Committee and NPL and Bad Debt Clearance Committee. All proposals made by these committees are put forward in accordance with the relevant procedures.</p>	<p>The Bank has not instituted an independent Audit Committee.</p>
<p>6. Please describe discrepancies between the status of the Bank's corporate governance practices and the "Standard Corporate Governance Practices of Banks"</p>		
<p>(1) In general, there is no major discrepancy between the Bank's corporate governance practices and Standard Corporate Governance Practices of Banks such as, establishment of the relevant policies including regulatory compliance, internal control and internal audit, a window for employees to offer comments and feedbacks for the Bank's management to refer to, customer service center dealing with customer complaints and improving service efficiency and the contingency plan to deal with major disasters and accidents. The Bank will carefully review our corporate governance practices to improve our management results and effects. (2) The Bank plans to institute Independent Directors upon re-election of the 2009 Board of Directors and Supervisors.</p>		
<p>7. The Bank's social responsibilities (such as human rights, employee wellness, investor relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customers protection policies, and purchasing insurance for directors and supervisors.), the adopted policies and measures and status of performing social responsibilities:</p>		
<p>(1) For the purpose of clearly defining the rights and obligations of the Bank and employees, the Bank has put in place the "Employment Rules" and convenes regular labor relations meeting to enhance the bank-employee relationships and ensure rights of employees. The Bank undertakes evaluation of the various remuneration and welfare policies to maximize benefits for our employees. The Bank has not been involved in any labor dispute or had the requirement to undertake labor negotiation. The Bank has also put in place the "Criteria for Prevention and Reporting of and Punishment for Sexual Harassment Incidences" to ensure equal employment opportunities and integrity. (2) Any transaction between the Bank and our stakeholders are carried out in accordance with stringent operational procedures. (3) The Bank has put in place the "Rules Governing Board of Directors' Meeting", which stipulate that the board meeting shall be convened at least once every other month. Notice and details of the meeting shall be made in writing and sent out to each Director and Supervisor. The Rules stipulate that Directors attending the meeting in person shall recuse themselves in case of conflict of interest situations. All Directors shall strictly comply with the provision. (4) The Bank published Directors and Supervisors' training record and attendance in the board meeting from time to time on the Market Observation Post System (http://newmops.tse.com.tw). (5) Risk management policy and execution of the risk evaluation standards: The Bank has put in place a Risk Management Policy, appointed a Risk Control Unit and clearly set out the responsibilities of the respective risk control groups. In relation to risk evaluation standards, the Bank's trading system offers realtime risk pricing, quota control and stop-loss functions to evaluate and control the market risks with the Bank's open positions. On the other hand, the construction of an internal credit risk model is currently under way. (6) Customers may offer comments or lodge complaints on the website. The Bank's responsible department will re-direct the issues to the relevant department for handling and follow-up. (7) The Bank has put in place the "Criteria and Operational Regulations Governing the Management of Suspected Illegal or Abnormal Deposit Account" and the "Organization of the Customer Dispute Processing Team & Procedures for Handling Customer Disputes" to protect the rights of customers.</p>		
<p>8. If the company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: The Bank does not have a self-evaluation report neither has the Bank authorized an external professional body to undertake such evaluation. However, the Bank has made the various information disclosures in accordance with the "Standards Governing Corporate Governance Practices of Banks" and made improvements according to Information Disclosure Review administered by the Securities and Futures Institute.</p>		



(5) Fulfillment of Social Responsibilities:

- A. The Bank fulfills our social responsibilities by devoting resources to the promotion of charitable, cultural and art events (refer to page 52 for details). Besides, the Bank, together with several charitable foundations, jointly issued co-branded cards such as the World Vision “Guardian Angel Card”, the Presbyterian Church “Safety Card” and the Eden Foundation (and 7 other charities) “Bafu Card” and makes donation from the fee revenue on a periodic basis.
- B. To educate the general public on correct money and investment management concepts, the Bank offers professional financial and economic programs and general knowledge sessions on three websites (Open Studio, Ch 5 and HiChannel). Internet users are able to access online financial programs (such as “Decoding Investments and Financial Management” and “Little Financial Management Helper”) 24 hours a day at no cost. The Bank’s objectives in offering an on-line learning environment are in line with those of the government to promote financial literacy and education.
- C. In August 2008, the Bank hosted the “Young Financial Expert Wealth Management Experience Camp” program with the primary objective of educating our children on correct and fundamental wealth management concepts. The programs were designed to be easily understood and fun to learn which included the introduction of fundamental saving concepts and financial management knowledge (e.g. interest and the types of foreign currencies) such as “NTD Deposit”, “Foreign-Currency Deposit”, “Funds” and “Insurance”. Besides interactive activities, the program was designed to allow children to understand the operations of banks in actual practice. Our goal is to educate the children on the fundamental financial management tools and practices through interactive programs.

(6) Corporate Governance Principles and Searching of the Relevant Regulations : None.

(7) Further Inquiry about Corporate Governance or Material Information: Not applicable.





(8) Internal Controls Execution Status

A. Where an Independent Auditor is Appointed to Perform Audit on the Internal Control System, the Auditor's Report Shall Be Disclosed: Not applicable.

B. Statement of Internal Control:

Union Bank of Taiwan
Statement of Internal Controls System

March 27, 2009

To Financial Supervisory Commission, Executive Yuan,

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2008 to December 31, 2008, the bank has duly complied with the "Enforcement Regulations for Bank Internal Audit Control System" in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Supervisors. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems for all services in Securities and Futures Markets", promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, except for items listed in the schedule, the internal control and legal compliance systems of each department have been carried out effectively during the year. This Statement will be included as the main content of the Bank's annual report, and be published to the public. If there is any illegal activity such as fraud or concealment in the above statement, it will alleged to the liabilities given in Article 20, 32, 171, and 174 of the Securities and Exchange Law.

Chairman:

Shiang-Chang Lee

President:

Jeff Lin

Chief Auditor:

Yen-Jye Chang

Compliance Officer of the Bank:

Diana Tsai

The Improvement and Strengthening the Bank's Internal Control System

As of December 31, 2008

Issue	Improvement	Projected Completion Date
1. Some wealth management consultant kept the customer's deposit account passbook and blank withdrawal slips and application forms for special purpose money trust affixed with the specimen seal in their custody and made investments in equity securities and derivatives on behalf of the customer. As the customer who suffered investment losses refused to acknowledge the loss and lodged a complaint with the Bank. The relevant department shall ensure that the relevant wealth management personnel perform their duties in accordance with the Bank's operational manual and internal control regulations. The relevant wealth management personnel shall be subject to regular or random audits and supervision.	The wealth management consultant has returned the total investment sum to the client. The Bank has put the case forward to the Personnel Review Dept. in relation to the consultant's violation of the Bank's wealth management operational standards. On the other hand, the Wealth Management Dept. has made an announcement in writing stating the importance that all the relevant personnel shall be strictly prohibited from receiving funds or making payments on behalf of clients or keeping the client's account passbook, seal, cash, certificate of deposit, ATM card, credit card, any withdrawal slip signed or sealed, check, foreign exchange application forms and all other applications forms under their custody. Any document or ID not collected by the client in a timely manner shall be centrally kept by the authorized personnel of the business department with the details documented on the "Logbook for Unclaimed Documents/IDs".	Completed on August 18, 2008
2. Some credit collection officer has taken advantage of his/her position by selling client information to a third party. The relevant departments shall reinforce the importance of information confidentiality and educate staff on the relevant legal knowledge.	The credit collection officer concerned has left the job. The department has reinforced the importance of information confidentiality and legal knowledge by conducting orientation training on the aforesaid topics. The Bank also reinforces existing training on all employees with respect to information confidentiality and legal knowledge.	Completed on May 29, 2008
3. A fraud gang successfully applied for a loan from a branch of the Bank by furnishing the branch with forged documents and IDs for the application. The Bank has suffered a loss as a result. The respective business units shall enhance staff training on identification of fraudulent documents and IDs to avoid similar situations from reoccurring.	The Bank has notified the Joint Credit Survey Center to black listed the fraudulent identity. In accordance with the Land Act, Land Registration Act and the "Directions Governing Enhancement of Anti Fraudulent Land Registration Certificate". The Bank has lodged an application for national compensation on the grounds of negligence on the part of the Taoyuan Land Office of the Taoyuan County, claiming that the office has failed to fulfill its obligations of attention to detail. On the other hand, the Consumer Banking Dept. also made a written announcement to the respective departments of the Bank emphasizing the importance of enhancing training on the relevant processing personnel's skills in identifying fraudulent documents and IDs. The respective business units are required to thoroughly carry out credit survey procedures with reference to the citizen ID authentication methods provided by Dept. of Household Registration of the Ministry of Interior. To avoid similar situations from reoccurring, this message was re-emphasized again in the national meetings of consumer banking supervisors.	Completed on November 12, 2008
4. The Bank has not formulated appropriate internal control systems to address the procedures with respect to liquidity risk management. The Treasury Dept. shall be responsible for this project to ensure independent examination and evaluation of the validity of the risk management measures on a periodic basis.	The Treasury Dept. shall complete the required task within the set timeframe according to the audit comments. That is, to formulate appropriate internal control systems to address the relevant operational procedures with respect to liquidity risk management in order to ensure independent examination and evaluation of the validity of the risk management measures on a periodic basis.	Estimated to be completed on May 31, 2009

(9) Legal violations and the Company's response for the past two years

Item	Description	Status of Improvement
(1) Responsible person or employee violated the law when conducting business and resulted in an indictment by a prosecutor.	None	None
(2) A fine was levied on the Bank for violations of the Banking associated laws.	1. The Bank failed to establish an effective internal control system and fulfill internal audit in respect of outsourcing operation of collecting NPL of car	1. The Bank has added (amended) the relevant regulations and enhanced the audit on contractors.



	<p>loan.</p> <p>2. The Bank's e-banking foreign exchange operation procedure failed to establish the valid internal control system and, therefore, the exchange rate input by clerks in error could not be rechecked and discovered in time. Further, the actions taken to transfer out the fund from the customer's account and frozen the relevant depositor's balance in the e-banking transactions conducted based on the exchange rate input in error are not appropriate.</p> <p>3. Without the client's prior written consent, Chiuju Branch and Nankang Branch searched the client's credit information directly in Joint Credit Information Center.</p>	<p>2. The Bank has taken the relevant safety control actions.</p> <p>3. The Bank restated the rule of credit inquiry and included the issue into the scope internal audit, and also enhanced employee training to avoid repeating the issue when rotating employees' duties.</p>
(3) Misconduct occurred and resulted in the Financial Supervisory Commission's imposing strict corrective measures.	N/A	N/A
(4) Punishment imposed by the Financial Supervisory Commission, Executive Yuan in accordance with Paragraph 1, Article 61 of the ROC Banking Act	The Bank failed to establish an appropriate internal control system and fulfill the audit under the internal audit system with respect to outsourcing operation of car NPL collection. Therefore, the Bank's outsourcing operation of car NPL collection was suspended in whole.	The Bank added and amended the relevant regulations and enhanced the audit of outsourcing.
(5) Accidents occurring as a result of a fraud, major non-recurring incidence or failure to comply with the Guidelines for Maintaining the Security of Financial Institutions, as a result of which individual or accumulated losses during the year amounted to NT\$ 50 million or more and therefore the nature and amount of loss for which shall be disclosed.	N/A	N/A
(6) Other necessary disclosures prescribed by the Financial Supervisory Commission, Executive Yuan	N/A	N/A

(10) Material Resolutions of a Shareholders Meeting or a Board of Directors Meeting During the Current Fiscal Year up to the Date of Printing of the Annual Report

A. Major Resolutions and the Execution Status Relating to Major Resolutions in the 2008 Shareholders' Meeting:

- a. The 2007 annual accounts: Resolved and approved.
- b. The 2007 appropriation of loss: Approved and executed.
- c. Amendments to the policy on election of Directors and Supervisors: Resolved to approve the amendments and election of Directors and Supervisors thereafter shall be treated in accordance with the relevant regulations.
- d. Amendment to the Articles of Incorporation: resolved and awaiting approval by the competent authority.

B. Major Resolutions of the Board Meetings for Year 2008 and up to the Date of Printing of the Annual Report

- a. In the 16th Board meeting at 6th term held on Mar. 19, 2008, the Board resolved to approve the amendments to the Bank's organization structure, the 2008 operation target and the rules and procedures of the Board of Directors.
- b. In the 17th Board meeting at 6th held on April 30, 2008, the Board resolved to make amendments to the bank's Articles of Incorporation and organization structure.
- c. In the 18th Board meeting at 6th term held on May 14, 2008, the Board resolved to procure the building located at No. 106, Fuguo Rd., Xinzhuang, Taipei County for use as the office premise of the Bank's branch.
- d. In the 20th Board meeting at 6th term held on August 27, 2008, the Board resolved to write off bad debts amounting to NT\$1,365,039,954.
- e. In the 22nd Board meeting at 6th term held on December 24, 2008, the Board resolved to write off bad debts amounting to NT\$1,362,840,223.



- f. In the 23rd Board meeting at 6th term held on February 25, 2009, the Board resolved to approve the 2009 operation target and remuneration to Directors and Supervisors.
- g. In the 25th Board meeting at 6th term held on March 25, 2009, the Board resolved to make amendments to the bank's Articles of Incorporation and revoke the restriction of non-competition clause imposed on new Directors.

- (11) During the current fiscal year up to the date of printing of the annual report, any director or supervisor has expressed dissenting opinion with respect to a material resolution passed by the board of directors, and such dissenting opinion has been recorded or prepared as a written declaration, disclose the principal context thereof.: None.
- (12) A summary of resignations and dismissals, during the most current fiscal year up to the date of printing of the annual report, of persons connected with the company's financial report.: None.

4. Information on CPA Professional Fee

- (1) Disclosure of the amount and service contents of payment to external auditors and the employer of the external auditors and affiliates on non-audit fees accounted for 25% of the fees for financial audit services: None
- (2) Change of audit engagement and that the audit fee for the year of change is less than that charged for the year prior to the change: Not applicable.
- (3) Auditing fee is 15% or more below the fee charged for the previous year: None.

5. Information on replacement of CPA: None.

6. The Chairman, President and Executive Officers in charge of the Bank's financial or accounting affairs who have, during the past year, served a position in the CPA firm or its affiliated enterprises to which the independent auditor(s) belong to: None.

7. Changes in shareholding and share pledges of Directors, Supervisors, Executive Officers and any person requiring to declare his/her registration of shares pursuant to Article 25.3 of the Banking Law:

(1) Changes in shareholding

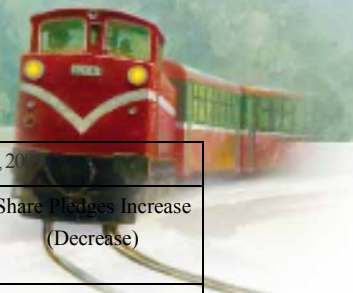
Title	Name	2008		March 31, 2009	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	0	0	0	0
Managing Director	Zhen-Xong Jiang	0	0	0	0
Managing Director	Yu-Pang Co., Ltd.	0	0	0	0
Director	Union Construction Enterprise Co., Ltd.	0	0	0	0
Director	Chung-Li Investment Co.	0	0	0	0
Director	Union Recreation Enterprise Corp.	0	0	0	0
Director	Jin-Fu Liu	0	0	0	0
Director	Si-Yong Lin	0	0	0	0

Corporate Governance

Title	Name	2008		March 31, 2009	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Resident Supervisor	Yu-Quan Development Co., Ltd.	0	0	0	0
Supervisor	Pao-Hsing Investment Co., Ltd.	0	0	0	0
Supervisor	Ming-Shing Ho	0	0	0	0
Manager	Jeff Lin	0	0	0	0
Manager	Hao-Sen Lee	0	0	0	0
Manager	Herman Tu	0	0	0	0
Manager	Y. B. Chan	0	0	0	0
Manager	Yen-Jye Chang	0	0	0	0
Manager	Patrick Jean	0	0	0	0
Manager	Cheng-Yu Liu	0	0	0	0
Manager	Peter Chien	0	0	0	0
Manager	Yanger Yang	0	0	0	0
Manager	Kuo-Shian Shia	0	0	0	0
Manager	Joy Tang	0	0	0	0
Manager	Hann-Tsau Tsai	0	0	0	0
Manager	Sophie Hsu	0	0	0	0
Manager	Chin-Ten Chuang	0	0	0	0
Manager	Tarsicio Tong	0	0	0	0
Manager	Diana Tsai	0	0	0	0
Manager	Michael Lee	0	0	0	0
Manager	Pauline Sheng	0	0	0	0
Manager	Luke Yang	0	0	0	0
Manager	Michael Lin	0	0	0	0
Manager	Russell Chang	0	0	0	0
Manager	Shu-Feng Hsueh	0	0	0	0
Manager	Tiffany Yu	0	0	0	0
Manager	Lin-Sheng Yu	0	0	0	0
Manager	Roger Wang	0	0	0	0
Manager	Jen-Chung Cheng	0	0	0	0
Manager	Meng-Hsia Wu	0	0	0	0
Manager	Ching-Wen Chen	0	0	0	0
Manager	Chang-Yung Chen	0	0	0	0
Manager	Huang-Wen Huang	0	0	0	0
Manager	Kuo-Pao Kang	0	0	0	0
Manager	Rong-Hui Huang	0	0	0	0
Manager	Chi-Pin Chen	0	0	0	0
Manager	Ping-Hui Lin	0	0	0	0
Manager	Min-Hui Wang	0	0	0	0
Manager	Wu-Lien Peng	0	0	0	0
Manager	Ching-Chung Lin	0	0	0	0
Manager	Tawei Shih	0	0	0	0
Manager	Guo-Luen Huang	0	0	0	0
Manager	Lister Lee	0	0	0	0
Manager	Hung-Min Chen	0	0	0	0
Manager	Ru-Ji Cheng	0	0	0	0

Corporate Governance

Title	Name	2008		March 31, 2009	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Chen-Yueh Wu	0	0	0	0
Manager	Wendy Chi	0	0	0	0
Manager	Ching-An Chen	0	0	0	0
Manager	Jane Lu	0	0	0	0
Manager	Jeffery Tsai	0	0	0	0
Manager	Keuin-Yung Tsai	0	0	0	0
Manager	Ching-Shou Liu	0	0	0	0
Manager	Han-Chou Chiu	0	0	0	0
Manager	Chang-Chen Lin	0	0	0	0
Manager	Miao-Chuan Lin	-	-	0	0
Manager	Li-Jen Wong	0	0	0	0
Manager	Wen-Ling Chung	-	-	0	0
Manager	Simon Tang	0	0	0	0
Manager	Simon Wang	0	0	0	0
Manager	Ying-Feng Wang	0	0	0	0
Manager	Wei-Chung Liu	0	0	0	0
Manager	Hsiu-Yun Su	0	0	0	0
Manager	Wen-Chien Chien	0	0	0	0
Manager	Mei-Lan Lin	0	0	0	0
Manager	Chan-Kwan Chen	0	0	0	0
Manager	Chien-Lung Chen	0	0	0	0
Manager	Chih-Chung Chang	0	0	0	0
Manager	Ching-Shan Chang	0	0	0	0
Manager	Lanny Liaw	0	0	0	0
Manager	Ying-Na Hsu	0	0	0	0
Manager	Yu-Ling Kuo	0	0	0	0
Manager	Jimmy Chou	0	0	0	0
Manager	Shen-Yung Peng	0	0	0	0
Manager	Mary Huang	0	0	0	0
Manager	Cheng-Tai Rong	0	0	0	0
Manager	Teh-Chin Tsai	0	0	0	0
Manager	Su-Yean Lo	0	0	0	0
Manager	Che-Ming Hsu	0	0	0	0
Manager	Shih-Wen Lu	0	0	0	0
Manager	Chi-Chun Wang	0	0	0	0
Manager	Chen-Han Pan	0	0	0	0
Manager	James Tsai	0	0	0	0
Manager	Ping-Ching Chiang	0	0	0	0
Manager	Hui-Fen Chao	0	0	0	0
Manager	Jeng-Ping Liou	0	0	0	0
Manager	Shih-Yuan Liaw	0	0	0	0
Manager	Chiung-Yu O	0	0	0	0
Manager	Chien-Chung Wu	0	0	0	0
Manager	Wu-Yuan Chen	0	0	0	0
Manager	Shan-Chih Yen	0	0	0	0
Manager	Yao-Tsung Kao	0	0	0	0



Title	Name	2008		March 31, 2009	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Ta-Yu Chin	0	0	0	0
Manager	Pi-Jen Wu	0	0	0	0
Manager	Roger Chang	0	0	0	0
Manager	Hsien-Ming Yen	0	0	0	0
Manager	Feng-Li Lin	0	0	0	0
Manager	Miao-Hui Yeh	0	0	0	0
Manager	Ming-Chang Wang	0	0	0	0
Manager	James Ho	0	0	0	0
Manager	Yuen-Song Lin	0	0	0	0
Manager	Yu-Yii Lin	0	0	0	0
Manager	Wen-Hui Lin	0	0	0	0
Manager (Note1)	Yu-Jhu Tsai	-	-	0	0
Manager	Kuen-Cheng Chou	0	0	0	0
Manager	Jyh-chiang Huang	0	0	0	0
Manager	Jin-Tien Yo	0	0	0	0
Manager	Shiu-Lan Hsieh	0	0	0	0

Note 1 : New executive officers appointed in the 22nd Board meeting at the 6th term; marked “-” for 2008 data.

- (2) Information on Share Transfer: Not applicable as the counter parties to the share transfer are non-related parties.
- (3) Information on Share Pledge: Not applicable as the counter parties to the share pledge are non-related parties.

8. Information for Top 10 Shareholders Being the Related Parties as Defined in Statements of Financial Accounting Standards No. 6

December 31, 2008

Shareholder	Shareholding		Spouse or minor children's shareholding		Top 10 shareholders being the related parties to each other		Name of and Relationship Between the Top Ten Shareholders Being A Related Party as Defined in Statements of Financial Accounting Standards No. 6	
	Shares	%	Shares	%	Shares	%	Name	Relation
Chung Li Investment Co. Representative: Sue-Feng Cao	198,454,283 3,523	8.558% 0.000%	- -	- -	- -	- -	Tien-Sheng Investment Co.	Same responsible person
Pai-Sheng Investment Co. Representative: Si-Yong Lin	123,400,866 16,934,581	5.322% 0.730%	- 1,494,018	- 0.064%	- -	- -	Chu-Pao Investment Co.	Same responsible person
Chien-Yuan Investment Co. Representative: C.C. Chang	119,783,434 268,671	5.166% 0.012%	- -	- -	- -	- -	-	
Chu-Pao Investment Co. Representative: Si-Yong Lin	108,177,490 16,934,581	4.665% 0.730%	- 1,494,018	- 0.064%	- -	- -	Pai-Sheng Investment Co.	Same responsible person
Wei-Chih Investment Co. Representative: S.S. Yeh	102,501,926 19,080,330	4.420% 0.823%	- -	- -	- -	- -	-	
Kun-Che Investment Co. Representative: Y. C. Huang	96,887,203 -	4.178% -	- -	- -	- -	- -	-	
Chi-Shun Investment Co. Representative: Jyh-Dong Chen	95,597,698 120,262	4.123% 0.005%	- -	- -	- -	- -	-	
Cheng-Pon Construction Co. Representative: Ern-Chi Tsai	93,176,000 -	4.018% -	- -	- -	- -	- -	-	
Tien-Sheng Investment Co. Representative: Sue-Feng Tsao	91,085,721 3,523	3.928% 0.000%	- -	- -	- -	- -	Chung Li Investment Co.	Same responsible person

Pao-Hsing Investment Co. Representative: C. T. Lin	90,610,217 561,541	3.908% 0.024%	-	-	-	-	-
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9. Ownership of Invested Companies

December 31, 2008

Invested Companies ^{Note}	Invested by the Bank		Investments from Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank		Total Investments	
	Shares	%	Shares	%	Shares	%
Union Bills Finance Corp.	126,576,000	42.76%	40,005,355	13.52%	166,581,355	56.28%
Union Financial Int'l (HK)Ltd.	30,000,000	99.999994%	1	0.000003%	30,000,001	99.999997%
Union Information Technology Corp.	4,999,614	99.99%	0	0.00%	4,999,614	99.99%
Union Finance and Leasing Int'l Corp.	100,000,000	100.00%	0	0.00%	100,000,000	100.00%
Union Securities Investment Trust Corp.	10,500,000	35.00%	1,451,000	4.84%	11,951,000	39.84%
Union Insurance Broker Company	500,000	100.00%	0	0.00%	500,000	100.00%
Union Real-Estate Management Corp.	2,000,000	40.00%	2,000,000	40.00%	4,000,000	80.00%
Morgan Stanley Union Bank Asset	1,323,000	49.00%	0	0.00%	1,323,000	49.00%
EnTie Securities Finance Co.	65,206,250	12.15%	0	0.00%	65,206,250	12.15%
Taiwan Asset Management Corp.	10,000,000	0.57%	0	0.00%	10,000,000	0.57%
Li Yu Venture Corporation	1,215,684	4.76%	0	0.00%	1,215,684	4.76%
Taiwan Financial Asset Service Corp.	5,000,000	2.94%	0	0.00%	5,000,000	2.94%
Financial Information Service Co., Ltd.	9,577,000	2.39%	0	0.00%	9,577,000	2.39%
Fu Hua Venture Corporation	3,000,000	5.00%	0	0.00%	3,000,000	5.00%
Jiao Da Venture Corporation	1,917,000	5.00%	0	0.00%	1,917,000	5.00%
Taiwan Depository & Clearing Corp.	247,425	0.08%	0	0.00%	247,425	0.08%
Taiwan Futures Exchange Co., Ltd.	4,782,827	2.04%	0	0.00%	4,782,827	2.04%
Taipei Forex Inc.	160,000	0.81%	0	0.00%	160,000	0.81%
Huan Hua Securities Finance Co.	3,942,458	0.53%	0	0.00%	3,942,458	0.53%
Lian An Service Corporation	125,000	5.00%	0	0.00%	125,000	5.00%
Save Com International Inc.	63,448	0.07%	0	0.00%	63,448	0.07%
Taipower Corporation	394,879	0.001197%	0	0.00%	394,879	0.00%
Global Communication	1,388,889	1.56%	0	0.00%	1,388,889	1.56%
Sunny Asset Management Co.	386,376	6.50%	0	0.00%	386,376	6.44%
MasterCard International Co.	754	-	0	-	754	-
VisaCard Co., Ltd.	234,842	-	0	-	234,842	-

Note: Investments made in accordance with Article 74 of the Banking Law.



1. Capital and Shares

(1) Sources of Capital

Date	Issued Price	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (\$)	Shares	Amount (\$)	Source of Capital	Other
Dec. 2008	10	3,000,000,000	30,000,000,000	2,318,824,429	23,188,244,290	Capital increase by cash	—
Mar. 2009	10	3,000,000,000	30,000,000,000	2,318,824,429	23,188,244,290		—

Type of Shares	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total Shares	
Common Stock	1,918,824,429	681,175,571	2,600,000,000	Listed shares
Preferred stocks of private placement	400,000,000	-	400,000,000	Private placement as shares are non-publicly traded

(2) Shareholder Composition

March 31, 2009

Type of Shareholder	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
Quantity						
No. of Shareholders	5	1	76	32,298	39	32,419
No. of Shares Held	7,056	234,000	1,822,340,582	471,604,483	24,638,308	2,318,824,429
% of Shareholding	0.00%	0.01%	78.59%	20.33%	1.07%	100.00%

(3) Distribution of Shareholding

Par value NTS10; March 31, 2009

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	16,829	3,149,910	0.13%
1,000 ~ 5,000	7,174	16,813,050	0.73%
5,001 ~ 10,000	2,230	17,211,303	0.74%
10,001 ~ 15,000	3,895	49,546,963	2.14%
15,001 ~ 20,000	472	8,835,836	0.38%
20,001 ~ 30,000	552	14,125,292	0.61%
30,001 ~ 50,000	376	15,303,947	0.66%
50,001 ~ 100,000	356	25,282,366	1.09%
100,001 ~ 200,000	265	36,752,983	1.58%
200,001 ~ 400,000	123	34,175,477	1.47%
400,001 ~ 600,000	40	19,447,513	0.84%
600,001 ~ 800,000	24	16,398,850	0.71%
800,001 ~ 1,000,000	14	12,199,938	0.53%
Over 1,000,001	69	2,049,581,001	88.39%
Total	32,419	2,318,824,429	100.00%



Preferred Stocks

March 31, 2009;
Par Value per share: NTS10

Category	No. of shareholders	No. of shares Held	% of shareholding
30,000,000~100,000,000	4	237,000,000	59.25%
100,000,001~200,000,000	1	163,000,000	40.75%
Total	5	400,000,000	100.00%

(4) Major Shareholders

March 31, 2009

Major Shareholders	No. of shares Held	% of shareholding
Chung-Li Investment Co., Ltd.	198,454,283	8.56%
Pai-Sheng Investment Co., Ltd.	123,400,866	5.32%
Chien-Yuan Investment Co., Ltd.	119,783,434	5.17%
Chu-Pao Investment Co., Ltd.	108,177,490	4.67%
Wei-Chih Investment Co., Ltd.	102,501,926	4.42%
Kun-Che Investment Co., Ltd.	96,887,203	4.18%
Chi-Shun Investment Co., Ltd.	95,597,698	4.12%
Cheng-Bang Construction Enterprise Co., Ltd.	93,176,000	4.02%
Tien-Sheng Investment Co., Ltd.	91,085,721	3.93%
Pao-Hsing Investment Co., Ltd.	90,610,217	3.91%
Hung-Hsiang Investment Co., Ltd.	89,667,947	3.87%
Sue-Ere C. Lin	77,286,891	3.33%
Bai-Ing Investment Co., Ltd.	75,864,558	3.27%
Union Construction Enterprise Co., Ltd.	71,684,310	3.09%
Quan-Sheng Investment Co., Ltd.	70,047,358	3.02%
Lin Rung San Foundation of Culture and Social Welfare	68,782,660	2.97%
Quan-Cheng Investment Co., Ltd.	68,371,534	2.95%
Hong-Gou Construction Enterprise Co., Ltd.	65,000,000	2.80%
Hong-Peng Construction Enterprise Co., Ltd.	59,000,000	2.54%
Hong-Bang Construction Enterprise Co., Ltd.	49,927,983	2.15%
Union Recreation Enterprise Corp.	26,577,782	1.15%

Note: The list above shows shareholders with over 1% shareholding.



(5) Market Price, Net Worth, Earning & Dividend per Share and Other Relative Information for the Past Two Years

Item		Year	2007	2008	March 31, 2009
Market price per share	Highest		11.15	8.40	5.99
	Lowest		6.71	3.76	5.05
	Average		8.23	6.10	5.48
Earning per share	Before Distribution		7.52	6.82	6.87
	After Distribution		7.52	6.82	6.87
Dividend per share	Weighted Average Shares		1,868,474,203	1,918,824,429	1,918,824,429
	Earning Per Share(\$)		(2.65)	(0.63)	(0.02)
Return on investments	Cash Dividends		-	-	-
	Stock Dividends	Retained Earnings		-	-
		Capital Reserve		-	-
	Accumulated Dividends		-	-	
Return on investments	Price/Earning Ratio ¹		(3.11)	(9.68)	(274)
	Price/Dividend Ratio ²		-	-	-
	Cash dividends yield rate ³		-	-	-

Notes:

1. P/E ratio= Average closing share price for the current fiscal year/ earnings per share.
2. P/D ratio= Average closing share price for the current fiscal year/ cash dividends per share.
3. Cash dividend yield to maturity= Cash dividends per share/ average closing share price for the current fiscal year.

(6) Dividend Policy and Implementation

The Bank's dividend policy has been specified in the Articles of Incorporation: Refer to Attachment I (Attachment I - Financial Statement for 2008 p.26).

Proposal for dividend distribution for the current year: None.

(7) Impact of the Proposal for Stock Dividend Distribution on the Bank's Operations Results and Earning per Share: None

(8) Employees' Bonus and Directors' & Supervisors' Remuneration:

- A. The percentage or coverage of employees' bonus and the Directors' & Supervisors' remuneration: According to the Bank's Dividend Policy.
- B. The resolution of the Board of Directors' meeting regarding distribution of employees' bonus:
 - a. Distribution of cash bonus and stock bonus to employees and remuneration to directors and supervisors: None.
 - b. Ratio of the proposed number of stock dividends for distribution to employees as a percentage of capital increase by earnings capitalization: Not applicable.
 - c. Earnings per share after distribution of employees' bonus and directors' & supervisors' remuneration: Not applicable.
 - d. Earnings per share after distribution of stock dividend (based on market price) to employees: Not applicable.
 - e. Name and position title of the top ten employees who received the stock-based employee bonus and the total amount of bonus distributed to the top ten employees: Not applicable.
- C. Bonus to employees and remuneration to directors and supervisors from the retained earnings of the previous fiscal year: None.

(9) Share Repurchases: None



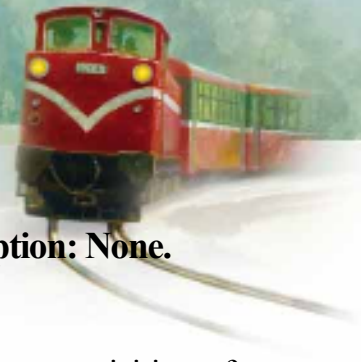
2. Issuance of Financial Debentures

Type of Financial Debentures	1st Unsecured Convertible Financial Debentures issued in 2004	1st Subordinated Financial Debentures issued in 2004	2nd Subordinated Financial Debentures issued in 2004	1st Subordinated Financial Debentures issued in 2005	1st Subordinated Financial Debentures issued in 2006
Date & No. Approved by Central Competent Authority	Jin-Kuan-Jen-(1)-Zi-No. 0930134267 Jul 30, 2004	Jin-Kuan-Yin-(2)-Zi-No. 0930032639 Nov 10, 2004	Jin-Kuan-Yin-(2)-Zi-No. 0930032639 Nov 10, 2004	Jin-Kuan-Yin-(2)-Zi-No. 0940031436 Nov 14, 2005	Jin-Kuan-Yin-(2)-Zi-No. 0940031436 Nov 14, 2005
Issue Date	Sept. 13, 2004	Dec. 23, 2004	Dec. 28, 2004	Dec. 6, 2005	Nov. 7, 2006
Face Value	100,000	1,000,000 / 5,000,000 / 10,000,000	1,000,000 / 10,000,000 / 50,000,000	10,000,000	10,000,000
Issuance/ Trade Place	Domestic	Domestic	Domestic	Domestic	Domestic
Currency	NTD	NTD	NTD	NTD	NTD
Issuance Price	Issued at par	Issued at par	Issued at par	Issued at par	Issued at par
Issuance Amount	3 billion	1.5 billion	3.5 billion	2 billion	Class A: 1.2 billion Class B: 0.8 billion
Interest Rate	0%	The average of 6 leading banks' fixed interest rates for 1-year time savings deposit +1.0%	3.55%, fixed rate	2.60%, fixed rate	Class A: 2.60%, Class B: fixed Bank of Taiwan's fixed interest rate for 1-year time deposit +0.3%
Term	5 Years Maturity Date: Sep 13, 2009	5.5 Years Maturity Date: Jun 23, 2010	5.5 Years Maturity Date: Jun 28, 2010	5.5 Years Maturity Date: Jun 6, 2011	Class A: 5.5 Years Maturity Date: May 7, 2012 Class B: 7 Years Maturity Date: Nov 7, 2013
Order of Redemption	Primary	Subordinate	Subordinate	Subordinate	Subordinate
Guarantor	Nil	Nil	Nil	Nil	Nil
Trustee	Trust Dept. of EnTie Bank	Nil	Nil	Nil	Nil
Underwriter	KGI	Nil	Nil	Nil	Nil
Auditor	S.S. Lai	S.S. Lai	S.S. Lai	S.S. Lai	S.S. Lai
CPA	Deloitte & Touche (Terence Huang/ Ray Chang)	Deloitte & Touche (Terence Huang/ Ray Chang)	Deloitte & Touche (Terence Huang/ Ray Chang)	Deloitte & Touche (Terence Huang/ Yi-Chun Wu)	Deloitte & Touche (Terence Huang/ Yi-Chun Wu)
Certifying Financial Institution	"Book-Entry"	FuBon Bills Finance Corp.	FuBon Bills Finance Corp.	Int'l Bills Finance Corp.	"Book-Entry"
Method of Redemption	Repaid in full upon maturity	Repaid in full upon maturity	Repaid in full upon maturity	Repaid in full upon maturity	Repaid in full upon maturity
Unredeemed Balance	44.3 million	1.5 billion	3.5 billion	2 billion	2 billion
Paid-in Capital For the Previous Fiscal Year	14.89 billion	14.89 billion	14.89 billion	15.17 billion	18.25 billion
After-tax Net Worth for the Previous Fiscal Year	16.72 billion	16.72 billion	16.72 billion	18.73 billion	18.33 billion
Performance	Normal	Normal	Normal	Normal	Normal
Redemption or Early Redemption	Refer to Articles 18 & 19 of the Prospectus for provisions governing issuance and conversion of debentures	Nil	Nil	Nil	Nil
Conversion & Exchange Conditions	Refer to Article 11 of the Prospectus for provisions governing issuance and conversion of debentures	Nil	Nil	Nil	Nil
Restrictive Covenant	Nil	Nil	Nil	Nil	Nil
Fund Utilization Plan	Enhance the capital structure to support future business growth	Enhance the capital structure to support future business growth	Enhance the capital structure to support future business growth	Enhance the capital structure to support future business growth	Enhance the capital structure to support future business growth
Balance of issued debentures before adding the declared issue amount as a percentage of after-tax net worth for the previous fiscal year (%)	17.94%	24.55%	45.48%	51.28%	52.39%
Whether it is accounted for as regulatory and type	Not included as capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Name of rating agency, date and result of rating	Nil	Nil	Nil	Nil	Nil



3. Issuance of Preferred Stock

Date of Issuance		Sept. 26, 2007	
Item	Grade-A preferred stock (private placement)		
Face Value	10		
Price	10		
No. of Shares	400,000,000		
Total Amount	4,000,000,000		
Right & Obligation	Allocation of stock dividends and bonus	Grade-A preferred stock dividend is set at an annual payout rate of 6%, calculated at the actual issuing price and granted in cash in full amount every year. In addition to the fixed dividend payout rate, preferred shares holders have the right to convert a preferred share to a common share and participate in earnings distribution for common stock as well. However, the preferred shareholders cannot participate in the distribution of recapitalization from capital surplus.	
	Allocation of residual property	The allocation shall prevail over that of common stocks, provided that it shall be no more than the issuing amount of the preferred stocks.	
	Exercise of voting right	Preferred stock shareholders have no voting right and power in the common stock shareholders' meeting, but they are entitled to be elected as directors and supervisors and have the right to vote in preferred stock shareholders' meeting.	
	Others	The earning of annual final account, if any, shall deduct for tax and make up the loss in the past years, and the balance, if any, shall be provided as the legal reserve fund and special reserve required under the articles of incorporation. The balance, if any, shall be allocated as the Grade-A preferential stock dividends proposed by the Board of Directors and approved in the general shareholders' meeting that shall be distributed in the current year and dividends accumulated in the past years not yet distributed. If there is no earning of annual final account or the allocable earning cannot afford to allocate Grade-A preferential stock dividends, the unallocated or insufficient Grade-A preferential stock dividends shall be cumulated and allocated in following years as the first priority.	
Outstanding preferred stock	Collected or converted balance	0	
	Uncollected or unconverted balance	4,000,000,000	
	Terms & conditions of collection or conversion	Unless in the period for suspension of transfer registration required by laws and within three business days as of the ex-right date for suspension of transfer registration of allocated dividends resolved by the directors' meeting called by the Bank, ex-dividend date for suspension of transfer registration of cash dividends or the ex-right date for suspension of transfer registration of capital increase in cash, one Grade-A preferential stock may be converted to one common stock as of the day following expiration of one year as of the issuing date of Grade-A preferential stock until the record date for allocation of rights, and other periods for suspension of transfer registration required by laws. Proposed by the Board of Directors and approved in the general shareholders' meeting for distribution, the Bank will make up the unallocated cumulative stock dividends to the preferential shareholders requesting the conversion in the year of earnings as the first priority. Unless in the period for suspension of the Bank's share transfer registration, the Bank may collect outstanding Grade-A preferential stock, in whole or in part, by earnings or stock payment received from issuance of new shares at the issuing price plus unallocated cumulative stock dividends to be allocated in the current year until the date of collection at any time upon the competent authority's approval, as of the day following expiration of six years as of the issuing date. The preferential stock dividends in the year when the stock is collected and converted into common stock shall be calculated based on the number of days for which Grade-A preferential stock is outstanding.	
Market value per share as of 03-31-2009	Maximum	-	
	Minimum	-	
	Average	-	
Contingent upon other rights	Converted or subscribed amount until the publication date of the annual report	0	
	Rules for issuance and conversion or option	As per the preceding conversion clause.	
Effect on preferred stockholders' interest & right, possible dilution conditions of equity and influence on existing shareholders' equity caused by the issuance terms and conditions		If preferred stocks are converted into common stocks, the dilution percentage shall be determined on the basis of the number of common shares converted into.	
Effect on self capital and risk-based asset ratio caused by redemption of preferred stock		-	



4. The status of Overseas Depository Receipts and Employee Stock Option: None.

5. Acquisitions or Disposition of Other Financial Institutions

- (1) With respect to mergers, acquisitions, and issuance of new shares due to acquisition of shares of other financial institutions in the past year, disclose the opinion of independent auditors on the reasonableness of the conversion percentage: None.
- (2) Mergers, acquisitions, and issuance of new shares due to acquisition of shares of other financial institutions in the past five years:
On December 9, 2004, the Bank participated in the open tender for acquisition of Chung Shing Bank. Settlement completed on March 19, 2005 and no share exchange or issuance of new shares took place with respect to the merger or acquisition.
- (3) Merger, acquisition, or issuance of new shares due to acquisition of shares of other companies approved by the Board of Directors during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

6. Fund Utilization Plan and Execution Status

- (1) Details: Refer to page 40~41 for details of previous public issues or private placements of marketable securities and financial debentures. Previous public issues or private-placement of securities uncompleted or those completed in the most recent three years but have not yet fully yielded the planned benefits: None.
- (2) Execution Status: Not applicable.





1. Business Description

(1) Main Businesses

A. Primary Business Activities of the Respective Business Units

- a. To accept all types of deposits.
- b. To extend corporate loans, discount bills and notes, issue of local letters of credit and conduct accounts receivable factoring.
- c. To handle exports, imports, inward/outward remittances, foreign currency loans and guarantees.
- d. To extend mortgage, auto, personal and other consumer loans, and to provide credit card services.
- e. Wealth management, trust, custodian business, safe-deposit box rental and certification services for marketable securities.
- f. To trade marketable securities and futures on behalf of customers.
- g. To act as collecting and paying agent for peripheral financial services including public facilities expenses, remittances and taxes.
- h. To conduct other relevant businesses authorized by the competent authority.

B. Business Highlight

a. Deposits

Unit: NT\$ Million

Type	December 31, 2008		December 31, 2007		Comparison	
	Amount	%	Amount	%	Increase (decrease)	Growth Rate
Checking Deposit	2,964	1.00%	2,956	1.03%	8	0.27%
Demand Deposit	25,674	8.62%	27,592	9.61%	(1,918)	-6.95%
Demand savings Deposit	53,225	17.88%	57,346	19.97%	(4,121)	-7.18%
Time Deposit	65,821	22.12%	66,042	23.01%	(221)	-0.33%
Time Savings Deposit	130,052	43.70%	109,973	38.30%	20,079	18.26%
Deposit from Chunghwa Post Co. & Financial Institution	19,872	6.68%	23,196	8.08%	(3,324)	-14.33%
Total	297,608	100.00%	287,105	100.00%	10,503	3.66%

b. Loans

Unit: NT\$ Million

Type	December 31, 2008		December 31, 2007		Comparison	
	Amount	%	Amount	%	Increase (decrease)	Growth Rate
Short-term Loans & Overdraft	9,485	5.32%	12,948	6.37%	(3,463)	-26.75%
Short-term Secured Loans & Overdraft	23,084	12.96%	24,013	11.82%	(929)	-3.87%
Medium-term Loans	15,914	8.93%	20,205	9.95%	(4,291)	-21.24%
Medium-term Secured Loans	12,321	6.92%	16,626	8.18%	(4,305)	-25.89%
Long-term Loans	12,355	6.93%	15,145	7.45%	(2,790)	-18.42%
Long-term Secured Loans	105,017	58.94%	114,271	56.23%	(9,254)	-8.10%
Total	178,176	100.00%	203,208	100.00%	(25,032)	-12.32%

Operational Highlights



c. Foreign Exchange

Unit: US\$ Million

Type	December 31, 2008		December 31, 2007		Comparison	
	Amount	%	Amount	%	Increase (decrease)	Growth Rate
Exports	152	3.10%	162	4.17%	(10)	-6.17%
Imports	235	4.80%	238	6.13%	(3)	-1.26%
Foreign Remittances	4,514	92.10%	3,481	89.70%	1,033	29.67%
Total	4,901	100.00%	3,881	100.00%	1,020	26.28%

d. Trust & Wealth Management

Unit: NT\$ Million

Type		December 31, 2008		December 31, 2007		Comparison	
		Amount	%	Amount	%	Increase (decrease)	Growth Rate
Trust	Non-discretionary Money Trust Invested in Foreign Securities	21,815	30.22%	26,704	25.45%	(4,889)	-18.31%
	Non-discretionary Money Trust Invested in Domestic Mutual Funds	10,007	13.86%	9,932	9.47%	75	0.76%
	Pre-need Trust Contract	3,402	4.71%	2,877	2.74%	525	18.25%
	Other Trusts	2,215	3.07%	2,562	2.44%	(347)	-13.54%
	Securities Trust	146	0.20%	178	0.17%	(32)	-17.98%
	Real Estate Trust	2,364	3.28%	2,850	2.72%	(486)	-17.05%
	Custody of securities investment trust	6,389	8.85%	0	0%	6,389	-
	Subtotal	46,338	64.20%	45,103	42.99%	1,235	2.74%
Ancillary Service	Custody of Funds	0	0%	16,087	15.33%	(16,087)	-
	Other Custodian Business	6,318	8.75%	21,173	20.18%	(14,855)	-70.16%
	Certification Business	19,526	27.05%	22,551	21.49%	(3,025)	-13.41%
	Subtotal	25,844	35.80%	59,811	57.01%	(33,967)	-56.79%
Total		72,182	100.00%	104,914	100.00%	(32,732)	-31.20%

e. Credit Cards

Unit: NT\$ Million ; Card

Item	December 31, 2008	December 31, 2007	Change	
	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate
Cards in Circulation	2,842,672	2,852,622	(9,950)	-0.35%
Credit Amount	59,957	65,088	(5,131)	-7.88%
Cash Advance Amount	4,024	5,837	(1,813)	-31.06%
Accounts Receivables	21,043	27,344	(6,301)	-23.04%
Revolving Credit Balance	11,706	15,697	(3,991)	-25.43%
Sales Amount	73,948	83,876	(9,928)	-11.84%



f. Total Revenue

Item	% of Total Revenue 2008	% of Total Revenue 2007	Changes (%)
Corporate Banking	13.36	14.18	-0.82%
Consumer Banking	29.32	30.60	-1.28%
Trust & Wealth Management	2.25	4.50	-2.25%
Credit Cards	20.76	24.35	-3.59%
Offshore Banking	24.82	20.38	4.44%
Other	9.49	5.99	3.50%
Total	100.00	100.00	

(2) Business Plan for 2009

A. Deposits

- a. Hold deposit development activities and encourage colleagues to spare no effort to achieve the objectives.
- b. Develop new businesses including collection of payment, salary fund transfer, school tuition and miscellaneous expenses by providing customers with diversified financial services so as to build up current account deposits.
- c. Plan for the establishment of processing center and centralize operations so as to increase efficiency and to reduce risks.

B. Loans

- a. Emphasize customers' overall contribution, ensure effective utilization of the Bank's capital, adjust the pricing strategy in a timely manner and stay close to market funds.
- b. In order to ensure the profitability and risk stability of businesses, the Bank has aggressively pursued expansion in SME loans to expand our existing business facets. The Bank expects to utilize credit guarantee funds and request quality collateral from the debtor to increase the security of credit extended.
- c. Implement the "Customer Service Consultant System", ensure sound credit survey operations and standardize the procedures of loan appropriation to improve operating performance.

C. Foreign Exchange

- a. Continue to promote export usance L/C forfaiting and to train and foster foreign exchange personnel ensuring that both the quantity and quality of the personnel is adequate and sound in line with the development of corporate banking businesses.
- b. Undertake bond positions to derive spread from interest or asset swaps and transfer credit risks.

D. Trust & Wealth Management

- a. Enhance external business activities and promote cross-sector alliances to expand the marketing channels and the size of the Bank's trust properties.
- b. Enhance the functions of trust operations in line with back-office operations of the wealth management businesses. The objectives are to simplify operations and deliver secure, legal and automated services.
- c. Establish comprehensive educational training programs and incubate a team of highly competent consultants who are CFP certified. The objectives are to solidify the professional competency of wealth management consultants and the quality of investment consultation services they offer.
- d. Perform high-efficiency system service functions and operation procedures to upgrade the quality and efficiency of services, cultivate the relationship with customers thoroughly and increase customers' value.



E. Credit Card

- a. Carry out key-point promotion of credit cards (Carrefour Card, Infinity/World Card and Pay Wave Card). Set up promotion channels for the various co-branded cards to achieve the business targets.
- b. Aggressively promote installment payment for purchases through participating merchants to increase the Bank's fee income. Improve bill collection costs and maintenance fees.
- c. Import income and financial data and continue to track the effects of interim credit reviews to carefully prevent and control risks from occurring. The optimal goal is to effectively control the quality of loans.

(3) Market Analysis

A. Business Regions of the Bank, Analysis of Future Supply and Demand in the Market and Market Growth

The Bank currently operates with 81 domestic retail offices as follows: 42 in the Greater Taipei region, 14 in Taoyuan, Hsinchu and Miaoli, 10 in Taichung and Changhua, 7 in Chiayi and Tainan, 8 in Kaohsiung and Pingtung and 1 offshore banking branch (OBU). Confronted with market changes and competitor competition, it is rather difficult to remain profitable. The Bank adopts a management concept that focuses on balanced business developments, with appropriate adjustments to the business strategies from time to time. The objectives are to achieve risk diversification and reduce the impacts of the economic downturn.

The domestic economic growth saw a significant decline in 2008 as a result of hiking raw material prices and the global financial tsunami induced by the U.S. sub-prime crisis. Profitability of domestic banks dropped due to the recognition of losses on related financial investments and continual decline in the wealth management business sector, which was forecasted to be rather positive prior to the crisis. On the other hand, the Central Bank revised the interest rate downward in September 2008 as a result of easing inflationary pressures and increasing likelihood of an economic downturn. Given that the domestic market is still overly competitive, there is little room for widening the interest rate spread. In general, domestic banks had a rather difficult year in 2008.

With respect to deposits, the total amount of deposits in the books of all domestic financial institutions as at December 31, 2008 was \$27.36 trillion, representing an increase of 7.39% against 2007. In relation to loans, the total amount of loans underwritten by all domestic financial institutions outstanding as at December 31, 2008 was \$19.73 trillion, representing an increase of 2.77% against 2007. The total balance of SME loans of all domestic branches and offices of banks amounted to \$3.17 trillion as at December 31, 2008, representing an increase of 2.39% against 2007. With respect to consumer banking, the total balance of consumer loans of all domestic banks and cooperative unions amounted to \$6.44 trillion as at December 31, 2008, representing a slight decline of 0.38% against 2007. The wealth management businesses saw a decline due to the fact that in 2008, the capital market experienced a downturn, world and domestic stock markets slipped and that the financial tsunami induced by the sub-prime crisis led to a series of problems such as customer disputes and the issues of structured notes.

In terms of asset quality, the Financial Supervisory Commission continued its endeavor to urge banks with higher NPL ratios to improve the quality of their assets and financial structure. The Bank has matched the Commission's call for improvement in these areas by proactively dealing with nonperforming loans and writing off bad debts. The NPL ratio dropped from 1.84% as at December 31, 2007 to 1.54% as at December 31, 2008. The bad debt coverage ratio was as high as 69.48%. The above actions taken by the Bank will further enhance our business operations.

On review of 2008, the world economy experienced a down turn due to the sub-prime crisis,



which later induced the global financial tsunami. On the domestic side, the growth momentum for exports was suppressed as a result of the weakening major global or regional economies and reduction in demands. The domestic economic growth was projected to slow down as business and consumer confidence has yet to recover. Corporate banking will remain the focus of business development of domestic banks. Only that the world economic downturn has adversely impacted business operations and coupled with the fact that more stringent regulations are imposed upon the credit extension business, the strength of growth in corporate banking businesses is expected to be suppressed. In relation to consumer banking, following an overall decline in the economy, home loans, unsecured consumer loans and auto loans expect to maintain at the current standards. In terms of wealth management, due to the economic downturn and unresolved customers disputes with respect to structured notes, we do not anticipate growth in this business area in the short term in spite of the fact that the government and banks are working hard to resolve the disputes. Generally speaking, the state of development of the global financial tsunami is a critical factor determining as to when there will be a upturn in the domestic banking sector.

B. Niche for Competition

a. Corporate Banking business

Under the Bank's principles of stable operation and risk diversification, the corporate banking business continues to promoting the receivables factoring and financing and self-liquidating businesses, and enhances lending business which is secured by real estates and marketable securities to maintain growth of business and profitability.

b. Consumer Banking business

Due to the intensive competition in the consumer banking, the Bank establishes the department dedicated to appraising collaterals and credit review desk to maintain the quality of credit assets, and also strictly adheres to the "5P" principles (people, purpose, payment, protection and prospective) to grant or reject the application for loans. In addition to developing lending business stably, the Bank also strengthens the communication with old customers to provide the customers with satisfactory service and build up corporate image.

c. Deposits and remittance

For deposits and remittance, in line with the policies of the competent authority, the Bank commenced to offer nation-wide bill (tax) payment services and engaged in promoting new businesses including collection and payment, salary fund transfer, collection of stock payment for capital increase, distribution of stock dividends, collection of security payment, school tuition and miscellaneous expenses and collection of the general enterprises' payment, in order to solicit current account deposits and Reduce the cost of funds and adjust the deposit structure.

d. Wealth Management

Investors are becoming increasingly conservative due to the breakout of the sub-prime crisis and declaration of bankruptcy by the Lehman Brothers Group. The Bank has been aggressively promoting variable- or fixed-amount fund investments through the regular saving plan to help customers deal with market movements through disciplined and flexible investment means so as to keep hold of this asset-reallocation opportunity in the wealth management market. On the other hand, the Bank's business strategy is customer-oriented in that we offer tailor-made financial management products to our customers including a diversity of insurance- and investment-linked and foreign currency financial instruments. We offer assistance to customer in planning their asset allocation to incubate a stable wealth management clientele in the long run in order to increase the size of our managed assets.

e. Trusts

Trusts have become important vehicles in terms of product innovation amongst global financial institutions. In order to satisfy the needs of different customers with respect to trusts, the Bank has entrusted professionals to develop new products and offer specialized services. In conjunction with our existing advantages in channel marketing, we have been proactively promoting prepaid trusts including land and building financing trust, Real Estate Sale/Purchase Consideration Security Trust, on-line purchase/payment money trust, and e-Gift Voucher trusts. We have integrated the e-Gift Voucher trust system with the e-Gift Voucher management system



to offer customers one-stop services in hope of gaining competitive advantages in the banking industry.

f. Securities Finance Business

The Bank's securities finance business primarily underwrites the securities brokerage and is supplemented by futures IB businesses. We anticipate a rebound in the securities market during 2009 and market performance expects to better that of 2008. Besides continuing to recruit sales representatives to expand our clientele, the Bank endeavors to develop the e-trading and institutional investors market.

g. Derivatives

For derivatives products, the head office and branches work with each other to visit customers voluntarily, so that they may know the type of customers of branches and also verify the customers' actual needs and risk tolerance to provide the proper financial products. For the time being, the Bank still underwrites basic products primarily, but will develop the more competitive product portfolio and customized financial products to provide the customers with omnibus financial services.

h. Consumer Credits

In response to the rapid changes in the consumer banking market, the Bank adopts a differential marketing strategy to pursue steady growth in consumer credit financing. We set different interest and fee rates and repayment options for each respective customer. Besides, we differentiate our products from those offered by our competitors, work hard to solidify relationships with existing customers and establish the Bank's professional image by offering quality services. To ensure the quality and return of our loans, we adopt a centralized assessment system and regularly review existing cases. The objective is to ensure the quality of each loan and modify the aspects of existing credit assessment to achieve a balanced marketing approach with respect to both quantity and quality.

i. Credit Card

Management of the Bank's credit card business no longer concentrated on interest-bearing cash advance services and the revolving credit facility. It is now focused on businesses that generate fee income for pursuit of steady profitability growth. We also continue to devote resources to enhance the credit survey procedures, risk management and asset quality. In light of the fact that we have gained considerable experience in risk pricing and product management, we anticipate that we will emerge successfully from unrealistic competition that involves severe price cuts. In the post- credit card crisis era and given the gradual economic recovery, the Bank aims to expand our differential business management and broaden our leading edges through a comprehensive front-, middle- and back-office system and risk management. We trust that our solid credit card clientele and sound asset quality will become the major momentum for profitability growth.

A. Favorable and Unfavorable Factors for Future Development and Response Actions thereof:

a. Favorable factors

- (a) We anticipate that the government will continue to deregulate existing legal restrictions on domestic banks planning to develop westward. Domestic financial institutions expect to broaden existing business presence and territory as well as increasing the opportunities to service Taiwanese entrepreneurs in Mainland China and upgrading the quality services offered to them.
- (b) As the number of domestic banks acquired by or merged with foreign-capital financial institutions increases, the level of foreign involvement in the management of domestic banks also increases. This is beneficial in helping domestic banks develop new businesses and financial instruments.
- (c) With promulgation of wealth management regulations and general investors' improved understanding of the financial instruments they invest in, we expect that market development will be sound and beneficial for domestic banks in promoting the related businesses.

b. Unfavorable factors

- (a) The global financial tsunami has impeded the economic growth and coupled with a tightening credit market, banks encounter considerable obstacles in developing financial related businesses.
- (b) The Central Bank has opted for interest rate cuts to avoid the economy from further



- slumping. Given that domestic banks still operate in an overly competitive environment, the interest rate spread expects to be further shaved.
- (c) Inappropriate over marketing of financial products by wealth management consultants has resulted in a series of structured notes disputes. Although the government and banks have been working earnestly to resolve the disputes, it is far too early to say that investors are ready to place their trust in banks again.
- c. Response strategy
- (a) The financial environment changes rapidly and types of banking businesses are getting more and more diversified. Meanwhile, with the speedy release of the various financial products, the bank's risk control is getting more and more important. In order to cope with the enforcement of the New Basel Capital Accord, the Bank has established a control system for evaluating risks of credit, interest rate, market and operation to upgrade the quality of the Bank's assets.
 - (b) To respond to the project "to enhance domestic banks' loans to SMEs as promoted by the competent authorities", the Bank will continue engaging in the SME loans and developing the market share of high-interest spread products, and will lower the cost for the general house loans and other non-secured consumer loans via simplification and standardization of the operation procedure, lower the NPL by targeting at the customer base with fair credit and enhance the business strategies for cross-sale of commodities with affiliated companies, in the hopes of maintaining the balance of quality and stable growth of profit under the slight interest spread.
 - (c) The Bank will continue training financial experts and enhancing the marketability of the various financial products to provide customers with omnibus financial services.

(4) Research of Financial Products and Status of Business Development:

A. The scale and income of main financial products and set up business departments in the most recent two years

a. Happiness Saving Book~

In early 2008, the Bank introduced the "Happiness Saving Book" program targeting children under 12 years of age to segregate and manage the children financial management market. With the product's appeal, "Saving and Sharing The Simple Happiness", the Bank aims to sell the concept of "your children's fortune shall be accumulated from an early age" to parents. The optimal goal is to encourage customers and their families to build an in-depth relationship with the Bank. The program incorporates six financial management tools including, NTD and foreign-currency deposits, securities, funds, insurance and insurance premium trusts.

b. Wealth Management ~

In recent years, the Bank has been devoted to promoting wealth management businesses. As at December 31, 2008, the Bank employed a total of 109 full-time financial management consultants, who together, are in charge of approximately 270,000 accounts, representing a growth of 24% against 2007. Total assets under management amounted to NT\$ 70,343 million as at the end of 2008, representing an increase of 8% against 2007.

c. Promotion of Automated Services and Internet Banking~

To expand the Bank's off-site presence and create unique advertisement results, the Bank has installed ATM machines and self-service banks at the Kaohsiung-Metro stations and Carrefour supermarkets to offer customers more convenient and comprehensive financial services. The customer usage rate with respect to the Bank's on-line ATMs and Internet Banking service increased by 149.94% and 24.3%, respectively in 2008. Customers have access to banking services 24 hours a day and 365 days a year through the virtual network.

d. The Bank has not set up new business departments in the most recent two years.

B. R&D Expenditure and Results for the Past Two Years and Future R&D Plans

a. R&D Expenditure

Unit: NT\$ Million

Yeas	2008	2007
R&D Expenditure	28,714	0

Note: The 2008 R&D expenditure figures have not been audited by independent auditors.

b. Future R & D Plan

In terms of e-Financial Service development, the Bank officially launched the account inquiry



function of the Corporate Internet Banking service in June 2008. The system was designed in line with corporate customers' demands for account inquiry. The system will effectively improve the efficiency of the various account inquiry processes between the Bank and the client as well as the quality of service. The extended project is to develop on-line account transaction functions, which expect to go live in 2009. We hope to further excel in offering corporate customers convenient on-line transaction services.

After the launch of the corporate Internet Banking service, the Bank is capable of offering individual and corporate clients product introductions and on-line banking services through the two on-line banking networks, "Personal" and "Corporate". Customers are offered more in-depth and sophisticated financial services. In recent years, the Bank has also devoted much effort to aggressive planning and development of the "email marketing system". We hope to enhance our utilization of email marketing and the various notification services through emails. In light of the observation that on-line order placing is widely used by customers, the Bank plans to promote on-line order placing of securities to expand the scale of business and hence fee income.

(5) Plan of Short- and Long-term Business Development

A. Short-term Plan

- a. Adjust the deposit structure and gradually reduce the weighting of long-duration deposits and institutional funds. The Bank will focus on soliciting more individual deposit accounts in future.
- b. Integration of cross-sector services of the Personal Internet Banking system. Complete the banking functions of the Corporate Internet Banking system to increase the client usage rate and hence the benefits of system services.
- c. Improve the completeness of customer information. Develop the eDM system and plan to promote the Bank's email services and marketing application.
- d. Conduct regular reviews of the operational procedures and system functions. Formulated standardized procedures to meet the needs of the users. Streamline the work procedures in hope of increasing job efficiency.
- e. Urge the regional credit collection centers to proactively collect nonperforming loans to effectively control new problem loans from occurring. Proactively dispose of the collaterals to ease the pressure of having required to make a provision for bad debts.

B. Long-term Plan

- a. Make diversified investments in high-return financial instruments. Ensure flexibility in financial operations and improve the rate of investment return while keeping risks under control.
- b. Discuss the possibility of cross-sector alliances for future wealth management businesses. Enhance marketing activities and offer differential, premium services to different customer groups. Introduce a diversity of insurance and investment-linked and multi-currency financial management tools to increase the size of managed assets.
- c. Serve consumer banking, SME loans and wealth management to be the three major types of business, and develop by taking care of quality and quantity at the same time
- d. Maintain the corporate principle of pursuing business growth under a stable approach. Neither does the Bank aim for unrealistic market-share targets nor does the Bank engage in hostile price wars. We offer the best services at the most reasonable price.

2. Employee Analysis

(1) Employee Data for the Past Two Years and Current Year Up to the Printing Date of the Annual Report:

Year		End of 2007	End of 2008	As of Mar. 31, 2009
Number of Employees	Permanent	3,388	3,081	3,018
	Temporary	0	0	0
	Other	0	0	0
	Total	3,388	3,081	3,018
Average age		32.63	33.53	33.70
Average year of service		5.14	6.13	6.29

Operational Highlights

Education (in %)	Doctorate	0	0	0
	Master	4.72	5.42	5.37
	University (College)	84.06	84.55	84.66
	Senior High School	11.01	9.90	9.84
	Junior High School & Under	0.21	0.13	0.13
Type of professional certification held by employees		End of 2007	End of 2008	As of Mar. 31, 2009
Basic Proficiency Test for International Banking Personnel		217	225	234
Proficiency Test on Foreign Exchange Trading		6	7	7
Proficiency Test for Trust Operations Personnel		1,367	1,731	1,780
Subject Test - Laws and Regulations on Trust Businesses		1	8	10
Qualification exam for "General knowledge of Financial Markets and professional code of Ethics"		954	1,763	1,867
Financial Risk Manager (FRM)		3	3	3
Master Financial Professional		2	1	1
Certified Financial Consultant for Small and Medium Enterprise		1	1	1
Class B Accounts Clerk		6	7	8
Class C Accounts Clerk		149	145	138
Junior qualification examination for professional & technical personnel in the category of the accredited book-keeper for taxpayer		1	1	1
Basic Proficiency Test for Bank Lending Personnel		352	358	358
Advanced Proficiency Test for Bank Lending Personnel		30	32	32
Proficiency Test for Financial Planning Personnel		430	417	411
Certified Financial Planner (CFP)		1	1	1
Life insurance salesperson		1,723	2,022	2,113
Investment-oriented insurance salesperson		429	735	959
Property Insurance Salesperson Registration Certificate		677	720	720
Non-life insurance assessor		15	0	0
Insurance agent		2	1	1
Insurance broker		2	1	1
Futures specialist		354	298	295
Qualification examination for "investment-oriented insurance products & financial system"		14	102	149
Bill finance specialist		47	28	28
Labor safety and health specialists (Class B certificate for labor safety and hygiene)		6	5	5
Class A Manager of Labor Safety & Health Affairs		52	52	52
Class B Manager of Labor Safety & Health Affairs		49	57	56
Class C Manager of Labor Safety & Health Affairs		7	7	7
Bond Specialist		18	14	14
Basic Proficiency Test on Internal Controls		2,546	1,778	1,725
Certified Internal Auditor		1	1	2
Securities specialist		232	246	248
Senior securities specialist		136	167	169
Securities investment trust and consulting professionals		126	142	143
Securities investment Analyst		2	2	2
Specialist of "Margin and Stock Loans by Securities Firms"		28	40	40
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)		22	25	25
For taking "Investment trust & consulting regulations(including self-disciplinary rules)" only		299	485	481
For taking "Securities laws & regulations" only		2	3	3
Land administration (registration) agents		5	4	4
Real estate appraiser		1	2	2
Assistant real estate. Brokers		7	9	10
Proficiency Test for Bank Collateral Appraisal Personnel		8	12	13

Note: Not include 2 employees of offshore units.

(2) Further Education and Training of Employees

In response to the fast changing financial environment and for the purpose of enhancing the professional competency of our employees, the Bank organizes the various business seminars



and symposiums each year and send our employees to attend the various external training programs. We also request, where possible, the relevant staff at all levels to acquire the required certification. We aim to improve our capabilities in product innovation and improve the operational procedures.

Item	Internal program	External program	Total
Number of employees trained	11,550	2,207	13,757
Total training expense (in NT\$ thousand)	11,217	1,675	12,892

(3) Rules of Employee Behavior and Ethics

- A. The bank has put in place the “Employment Standards” and “Employee Service Rules” to govern employees’ behaviors and dedication for works while servicing in the bank.. The Bank motivates our employees to take the corporate mission above all personal pursuits and perform their duties in accordance with corporate rules and the code of conduct. Employees are encouraged to keep sound living habits, demonstrate their service spirits, comply with the relevant regulations, be strictly self-disciplined and maintain a serious attitude towards their jobs to facilitate the development of the various businesses.
- B. The Bank’s human resources regulations stipulate clear reward and punishment policies for effective personnel management where required.

(4) Protection for Work Environment and Employee Safety

- A. Premise Access Security: The Bank has installed a premise access surveillance system to monitor people entering or leaving the office premise. The system is linked to the police stations at all times and is subject to regular trial checks. Security guards stationed on site to ensure personnel and premise security.
- B. Office Premise and Equipment: The Bank performs regular or random maintenance work on the various equipment in accordance with the relevant regulations on public safety and fire tests of office premises.
- C. Security Maintenance: The security maintenance regulations enforced by the competent authority and Bankers’ Association prescribe that each retail office shall conduct two anti-robbery rehearsals each year.
- D. Physical and Mental Health : The Bank has set in the place the “Procedures of Safety & Health Work” and convenes the “Labor Safety & Health Committee” meeting on a regular basis. The Bank also performs tests on work environment and conducts relevant employee safety and first aid training programs in accordance with the rules and regulations.

3. Corporate Responsibility and Ethical Conduct

- (1) Sponsor Union Culture Foundation: Union Bank of Taiwan and Union Bills Finance Corp. incorporated the “Union Culture Foundation” in April 1998, and began to host the Union Art Competition. Starting with the “Union Culture & Art Foundation Young Artist Award” and our ideal to promote and reward distinctive young artists, we offer handsome a prize money to the winner of the competition thanks to the sponsorship of Liberty Times, co-organizer of the competition. Young artists under the age of 30 are encouraged to demonstrate their creativity, be part of the competition and realize their dreams. It also founded the “Union Fine Art Impression Prize” which sets no age limit with the price money as high as \$400,000 since 2003. Besides, a nation-wide exhibition tour of the award-winning artwork from the two competitions starts in January each year. This offers recognition and support to more artists in Taiwan, giving them more opportunities to realize their dreams. In 2003, the Bank also established the “Taiwan Art Contribution Award” with the panel members jointly nominating a senior figure of the palette and brush in Taiwan for presentation. The painter recommended



by the panel in 2008 was Mr. Pur-Chuan Kuo. We hope junior art workers in Taiwan may have a model to follow by doing so. Over the past decade, the Bank has continually offered award-winning artists the chance to exhibit their artwork and also invited them to be part of the panel committee, offering them the opportunity to fully exert and continue their expertise. Our goal is to offer long-term support for Taiwan's artists and continue the ideals of Taiwan art. The Council for Cultural Affairs of the Executive Yuan shows recognition for the Bank's effort in creating a social art environment and elevating the artistic literacy of people by granting the Bank distinctive awards, the "9th Arts & Business Awards Money Award" and "Excellence in Talent Incubation Award" in 2008.

- (2) Keen participation in community activities: Since 1997, the Bank adopted the "Mingyou No. 2 Park", which was rated outstanding amongst other Taipei metropolitan parks since 2000. The Bank also won the silver diamond award of the "Annual Award for Perpetual Park Management" in 2005 and the excellence award for three consecutive years 2006, 2007 and 2008.
- (3) Donation to Cultural & Educational Charities: In May 2008, the Bank hosted the special "Union Young Mammy, Your Young Mammy" fair to celebrate the Mother's Day. Approximately 15% of the proceeds (NT\$80,000) from the fair was donated to the "Union Cultural & Art Foundation" to support the incubation of artistic talents and social and cultural charitable activities.
- (4) Charity for School Pupils' Nutrition Lunch: To assist children in need to receive normal schooling, in 2008, the Bank launched a series of charitable events including the "\$10 Small Deed, Big Fortune for Kids" and "\$50 Lunch, Feast for Children in Need" fund raising events. A total donation of NT\$180,000 from the "\$10 Small Deed, Big Fortune for Kids" event has been donated to the "Subsidies for School Pupils In Need in Yunlin County" account administered by the Yunlin County Government. A total donation of NT\$550,000 from the "\$50 Lunch, Feast for Children in Need" event was donated to the "Special Account for Local Educational Development in Penghu County" administered by the Educational Bureau, Penghu County Government to help school pupils in need.
- (5) Charitable Educational Tours: It has been over a decade since the Bank first offered sponsorship to the Union Cultural & Art Foundation for promotion of local art. To enable the local art to take root and allows less privileged groups to be close to art, the Bank plans to cooperate with the past winners of the Union art competition to conduct the "Orphanage Educational Tours". We hope that through the charitable event, less privileged groups in the society have the chance to feel and be touched by art and culture.

4. Facilities of Information Technology

(1) Maintenance and Hardware & Software of major IT systems:

- A. Neihu Computer Room: One IBM z/890-150(z/OS, CICS & IMS/DB) server and z/800-001 backup server, two Shark 800 hard disk drives, two 3745 communication controllers, one 2074 terminal controller, one set of 3590 and 3490 tape drive each, six ATM front-end processors (NCR-UNIX) & one testing machine, fourteen IBM RS/6000 (AIX, DB2, WebSphere), one IBM i520(i5/OS, Quick EDD) and 103 PC servers.
- B. Mingsheng Computer Room: One IBM 9672-RA6(z/OS, CICS, IMS/DB) remote backup server, one Shark F20 hard disk drive, one 3745 communication controller, one 3174 back-end controller, one set of 3590 and 3490 tape drive each, one ATM front-end processor (NCR-UNIX), two IBM RS/6000(AIX, DB2, WebSphere), one IBM AS/400-720(i5/OS, Quick EDD) and twelve PC servers.
- C. Network: Two CISCO 7502 routers, two CISCO 7507 routers, two CISCO 3661 routers, two CISCO 5509 & 5505 switch and 100 Mbps optical fiber for connecting the Neihu and Minsheng computer rooms. Branches use CISCO 2600/2800 routers and connect to the Neihu computer room via an exclusive line with ISDN as the backup connection.



- D. The Bank has repair and maintenance agreements with the vendors for the hardware and software above.

(2) Future development or procurement plans:

- A. Integration of the X86 server and system of storage equipment centralization.
- B. Automation of the fund order-placing function.
- C. Construction of the verification system for monthly report preservation and new “T+2”-day settlement system.
- D. Simplify the cumulative book-entry operations for the respective businesses.
- E. Development of the exchange rate quote inquiry and negotiation system.
- F. Development of the cross-rate function of the FXMM system.
- G. Development of the control system for country risks.
- H. Development of the e-Banking foreign remittance system.
- I. Development of an automated credit survey system for credit trusts business.
- J. Evaluation plan for the ATMP upgrade and execution of the downsizing plan in relation to the preliminary operations.
- K. Development of the model programs for the RWA trial computation function for corporate banking loans.
- L. Replacement of the server hardware for the accounts receivable factoring system.
- M. Development of a new version of corporate banking website.
- N. Integration of the internal sign-off functions of the external electronic correspondence exchange (document receiving) system.
- O. Development of the collateral consignment system.
- P. Development of the registration system for loaning of book-entry government bonds.
- Q. Development of the auto-classification process of the warehouse management system.
- R. Upgrading of the report inquiry system.
- S. Development of e-Marketing.

(3) Emergency and Security Protection Measures

- A. Construct on-site backup device at Neihu computer room with Minsheng computer room serving as the remote backup support.
- B. Off-site media backup and storage of important documents, separately at Neihu and Minsheng computer rooms.
- C. Install access control system, surveillance cameras, line control, fire safety equipment and environmental security systems to protect the IT equipment.
- D. Using intrusion detector, setting internal/external firewalls and anti-spam system, scanning virus, horse or spy programs, updating virus-code and system patch to ensure Internet and data transmission security.
- E. Formulate the “Plan for Union Bank of Taiwan IT Security Contingency” and conduct rehearsals of on-site and remote backup and fire safety in accordance with the “Plan for Union Bank of Taiwan IT Disaster Contingency” annually.



5. Labor Relations

(1) Execution status of employee welfare and retirement policy, labor agreements and protection of employee welfare:

- A. The Employee Welfare Committee deducts 0.5% of employees' monthly salaries and appropriates 0.1% of operating revenue to administer employee welfare affairs such as Mother's Day Fair and special allowances for marriage, funeral, births (including spouse) and major accidents.
- B. In accordance with the Social Insurance Policy, the Bank administers Labor Insurance, National Health Insurance and Group Insurance (including term life insurance, group accident insurance, worker's accident insurance, occupational injury insurance, cancer insurance and hospital and medical insurance for employees and their families).
- C. Offer deposits, loans and unsecured consumer loan for staff at special rates.
- D. The Employee Welfare Committee disburses bonus to employees on holidays of Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival.
- E. Employee Retirement Policy has been set that any employee reaching retirement age or eligible for retirement pursuant to the Bank's retirement policy is entitled to receive the retirement payout under the old pension system (Labor Standards Act). On the other hand, the Bank makes monthly contributions to individual retirement accounts for employees who apply for new pension system.
- F. The Bank has set up rules for governing labor-management committee to maintain sound labor relation and currently no labor dispute occurred.

(2) Loss incurred as a result of labor disputes in the past year and current year up to the printing date of annual report, the amount of estimated potential loss and the bank's responses. Where it is impossible to make a reasonable estimate, provide the reason:

Though the Bank has not been involved in a labor dispute that resulted in a loss, we will review and evaluate the various welfare policies for the best interest of our employees and there is currently no labor dispute to be negotiated.

6. Major Contracts

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Deposit Insurance Contract	Central Deposit Insurance Corporation	Signed on Apr. 27, 1994	Performance bond agreement for the solvency of financial institution in paying depositors	
Bankers Blanket Insurance	MSIG Mingtai Insurance Co., Ltd.	Jan. 21, 2009 to Jan. 21, 2010	Infidelity of employees; Property on premises; Property in transit; Forgery or alteration of check & securities; Counterfeited currency; Damage to offices and content; Fault of securities or written document	

7. Securitization Commodities approved by the competent authority and relevant information launched in accordance with Financial Asset Securitization Act or Real Estate Securitization Act in recent years: None



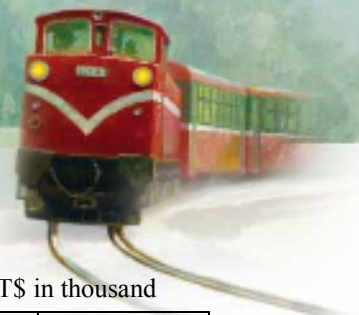
1. Condensed Balance Sheets, Income Statements and Auditors' Opinions for the most recent five years

(1) Condensed Balance Sheets

Unit: NT\$ in thousand

Item	Year	Financial Data for the Past Five Years (Note)					Mar 31, 2009
		2004	2005	2006	2007	2008	
Cash and cash equivalent, due from the Central Bank and other banks		\$23,764,678	\$28,864,831	\$40,128,185	\$28,052,923	\$49,126,993	\$40,989,663
Financial assets at fair value through profit or loss		7,526,589	10,009,127	4,873,587	7,746,462	7,675,019	7,790,069
Securities purchased under resell agreements		9,180,055	10,311,415	3,820,626	5,863,732	6,555,286	21,707,917
Available-for-sale financial assets		3,028,946	7,072,617	5,997,931	3,439,568	6,279,718	6,562,778
Discounts & loans		141,367,952	182,118,196	207,070,571	205,523,586	179,918,155	171,495,402
Receivables		38,708,022	44,028,153	36,748,767	28,967,953	23,513,603	21,100,355
Held-to-maturity investment		5,486,681	19,756,961	30,096,773	48,559,541	36,318,287	30,316,749
Equity investments- Equity method		3,737,442	3,521,089	2,837,358	2,946,398	2,479,374	2,118,318
Property & equipment		2,345,382	8,963,594	8,761,361	8,618,058	8,511,227	8,491,599
Intangibles		-	2,757,500	2,757,500	2,574,217	2,507,395	2,507,395
Other financial assets		1,270,633	3,870,435	6,075,325	4,757,711	24,632,165	31,641,961
Other assets		10,616,722	7,418,905	12,201,452	11,478,015	10,173,727	9,450,834
Total Assets		247,033,102	328,692,823	361,369,436	358,528,164	357,690,949	354,173,040
Call loans and due to banks		4,712,951	26,652,827	31,817,010	27,086,819	20,074,203	20,172,070
Deposits and remittance		205,035,613	250,662,221	275,747,909	263,954,435	277,751,334	277,186,594
Financial liabilities at fair value through profit or loss		-	4,090	34,457	61,326	212,904	134,964
Securities sold under repurchase agreements		2,687,438	12,247,692	11,904,491	32,865,259	27,843,332	25,754,758
Payables		3,656,556	6,548,931	7,111,454	4,776,100	4,981,318	4,050,804
Bank debentures		11,194,000	13,105,400	15,083,700	10,526,400	9,044,300	9,044,300
Liability component of preferred stocks		-	-	-	327,200	-	-
Other financial liabilities		-	151,548	318,597	254,580	220,896	224,553
Other liabilities		1,015,798	986,372	668,395	578,133	473,441	419,543
Total Liabilities	Before distribution	228,302,356	310,359,081	342,686,013	340,430,252	340,601,728	336,987,586
	After distribution	228,302,356	310,359,081	342,686,013	340,430,252	340,601,728	336,987,586
Capital stock		15,171,292	18,253,942	18,277,979	22,861,044	23,188,244	23,188,244
Capital surplus		57,783	63,733	60,296	33,811	33,811	33,811
Retained earnings	Before distribution	3,500,428	42,651	348,465	(4,697,572)	(5,907,536)	(5,947,798)
	After distribution	3,500,428	42,651	348,465	(4,697,572)	(5,907,536)	(5,947,798)
Unrealized loss on financial assets		-	-	(39,132)	(124,678)	(244,849)	(128,628)
Cumulative translation adjustments		21,433	50,141	43,820	39,243	49,843	77,589
Others		(20,190)	(76,725)	(8,005)	(13,936)	(30,292)	(37,764)
Total Shareholders' Equity	Before distribution	18,730,746	18,333,742	18,683,423	18,097,912	17,089,221	17,185,454
	After distribution	18,730,746	18,333,742	18,683,423	18,097,912	17,089,221	17,185,454

Note: All financial data have been audited by independent accountants except for those for Quarter 1, 2009 which have been reviewed.



(2) Condensed Income Statements

Unit: NT\$ in thousand

Item \ Year	Financial Data for the Past Five Years (Note)					Mar 31, 2009
	2004	2005	2006	2007	2008	
Net interest	\$8,391,491	\$10,807,616	\$9,095,588	\$7,256,304	\$7,293,692	\$1,634,740
Net revenues other than interest	1,047,472	(4,359,876)	1,687,535	682,513	(1,028,430)	307,700
Bad debts	2,527,027	4,759,364	4,104,184	8,404,095	2,692,090	515,619
Operating expenses	5,425,260	6,534,898	6,332,613	5,993,462	5,362,815	1,161,283
Income (loss) before income tax	1,486,676	(4,846,522)	346,326	(6,458,740)	(1,789,643)	265,538
Income (loss) before cumulative effect of accounting changes	1,599,625	(3,457,777)	296,536	(4,942,358)	(1,209,964)	(40,262)
Profit (loss) of discontinued operations (Net of tax)	-	-	-	-	-	-
Extraordinary profit (loss)(Net of tax)	-	-	-	-	-	-
Cumulative effect of accounting changes (Net of tax)	-	-	9,278	-	-	-
Net Income (loss)	1,599,625	(3,457,777)	305,814	(4,942,358)	(1,209,964)	(40,262)
Earnings (loss) per share (\$)	\$1.07	(\$1.94)	\$0.17	(\$2.65)	(\$0.63)	(\$0.02)

Note: All financial data have been audited by independent auditors except for those for Quarter 1, 2009 which have been reviewed.

(3) Name of CPAs and the Auditors' Opinion

Year	CPA Firm	Independent Auditors	Audit Opinion
2004	Deloitte & Touche	Terence Huang/ Ray Chang	Qualified opinion ^{note}
2005	Deloitte & Touche	Terence Huang/ Yi-Jun Wu	Revised unqualified opinion
2006	Deloitte & Touche	Terence Huang/ Yi-Jun Wu	Qualified opinion ^{note}
2007	Deloitte & Touche	Yi-Jun Wu / Ray Chang	Qualified opinion ^{note}
2008	Deloitte & Touche	Yi-Jun Wu / Ray Chang	Qualified opinion ^{note}

Note: A qualified audit opinion was issued on the Bank's decision to amortize loss incurred from selling its non-performing loans on a straight-line basis over 60 months pursuant to the Financial Institutions Merger Act.





2. Financial Analysis for the most recent five years (1) Financial Analysis & Key Performance Index (KPI)

Unit: NT\$ in thousand

Item	Year	Financial Data for the Past Five Years (Note)					Mar 31, 2009
		2004	2005	2006	2007	2008	
Operating Capability	Loans to deposits ratio (%)	77.15	73.22	75.72	78.7	65.81	62.42
	Non-performing loan ratio (%)	2.52	3.76	2.41	2.39	2.69	2.55
	Interest expense to average total deposits	1.19	1.37	1.67	1.89	2.77	1.75
	Interest revenue to average total loans	5.00	5.04	4.22	3.85	7.76	6.56
	Total asset turnover (times)	0.384	0.0196	0.0298	0.0221	0.0175	0.0219
	Average net income per employee	3,398	1,772	2,966	2,343	2,034	644
	Average earnings per employee	575	(950)	84	(1,459)	(393)	(13)
Profitability	Return on tier 1 capital (%)	9.58	(32.77)	2.55	(54.12)	(19.22)	2.99
	Return on assets (%)	0.71	(1.20)	0.09	(1.37)	(0.34)	(0.01)
	Return on equity (%)	9.02	(18.66)	1.65	(26.87)	(6.88)	(0.23)
	Net income ratio (%)	16.95	(53.63)	2.84	(62.26)	(19.31)	(2.07)
	EPS (\$)	1.07	(1.94)	0.17	(2.65)	(0.63)	(0.02)
Financial Structure	Total liabilities to total assets ratio (%)	92.42	94.42	94.83	94.95	95.22	95.15
	Fixed assets to shareholders' equity ratio (%)	12.52	48.89	46.89	47.62	49.80	49.41
Growth Rate	Asset growth ratio (%)	20.80	33.06	9.94	(0.79)	(0.23)	(0.98)
	Profitability growth ratio (%)	1.14	(426.00)	(107.15)	(1,964.93)	72.29	159.35
Cash Flow	Cash flow ratio (%)	-	7.20	32.87	2.16	9.20	5.02
	Cash flow adequacy ratio (%)	-	-	56.79	12.49	309.40	1,664.33
	Cash flow reinvestment ratio (%)	0.28	-	-	-	-	-
Liquid Reserve Ratio (%)	13.02	11.56	9.73	10.66	18.81	23.06	
Balance of Secured Loans to Related Parties (In NT\$ thousand)	6,559,695	5,521,913	6,147,411	6,178,671	5,188,129	4,870,078	
Total Secured Loans to Related Parties as a % of Total Loans	4.60	2.94	2.88	2.87	2.73	2.71	
Operation Scale	Market share of asset (%)	0.83	1.05	0.95	0.96	0.89	Note 3
	Market share of net worth (%)	1.06	0.98	0.89	0.88	0.80	Note 3
	Market share of deposits (%)	0.91	1.24	1.31	1.24	1.21	Note 3
	Market share of loans (%)	0.90	1.07	1.19	1.15	0.99	Note 3

Note:

The increase in ROA, Net income ratio, ROE and return on Tier-I capital in 2008 compared with 2007 is primarily due to the decrease in allowance for bad debt for 2008 as the impact of the credit card debt crisis was gradually easing after near three years of adjustment to and cleanup of nonperforming loans.

Note 1: All financial data have been audited by independent accountants except those for Quarter 1, 2009 which have been reviewed.

Note 2: Financial ratios are computed as follows:

(1) Operating Capability

- A. Loans to deposits ratio= Total loans/ total deposits (excluding redeposits of Chunghwa Post Co.)
- B. Non-performing loan ratio= Total NPL/ total loans
- C. Interest expense to average total deposits= Total interest expense/ average total deposits
- D. Interest revenue to average total loans= Total interest revenue/ average total loans
- E. Total asset turnover= Net operating revenue/ total assets
- F. Average net income per employee= Net operating revenue/ total number of employees.
- G. Average earnings per employee= Net income after tax/ total number of employees.

(2) Profitability

- A. Return on tier 1 capital= Net income before tax/ average total tier 1 capital
- B. Return on assets= Net income after tax/ average total assets.
- C. Return on equity= Net income after tax/ average shareholders' equity

Financial Highlights



- D. Net Income ratio= Net income after tax/ net income.
- E. Earnings per share= (Net Income after tax - preferred stock dividend)/weighted average outstanding shares
- (3) Financial structure
 - A. Total liabilities to total assets ratio=Total liabilities/total assets
 - B. Fixed assets to net worth ratio=Fixed assets, net/shareholders' equity, net
- (4) Growth rate
 - A. Asset growth ratio=(Total assets as at the end of this year - total assets as at the end of last year)/total assets as at the end of last year.
 - B. Profitability growth ratio=(Net income before tax for the current year- net income before tax for the past year)/net income before tax for the past year
- (5) Cash flow
 - A. Cash flow ratio=Net cash from operating activities/(call loans to banks+ CD payable + change in fair value of financial liabilities through the income statement + repurchase securities payable + Liabilities-current portion due within one year).
 - B. Cash flow adequacy ratio=Net cash from operating activities for the past five years/(capital expenditure + cash dividends) incurred for the past 5 years.
 - C. Cash flow reinvestment ratio=Net cash from operating activities/net cash from investing activities.
- (6) Liquid reserve ratio=Liquid assets statutorily required/reserve for liabilities.
- (7) Operation scale
 - A. Market share of assets=Total assets/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.
 - B. Market share of net worth=Net worth/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.
 - C. Market share of deposits=Total deposits/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.
 - D. Market share of loans=Total loans/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.

Note 3 : As of the printing date of the annual report, statistics on the total amounts of assets, net worth, deposits and loans of all financial institutions were unavailable. As such, the ratios have not been computed.

*: All authorized deposit-taking and loan-underwriting financial institutions include all domestic bank, the local branches of foreign banks, credit cooperative associations, farmers' & fishermen's associations and trust & investment corps.





(2) Capital Adequacy

(Non-Consolidated)

Unit: NT\$ in thousand

Item	Year	Financial Data for the Past Five Years (Note)					Mar 31, 2009	
		2004	2005	2006	2007	2008		
Regulatory Capital	Tier 1 Capital	Common Stock	14,889,264	18,253,942	18,257,379	19,188,244	19,188,244	19,188,244
		Irredeemable non-cumulative preferred stock	0	0	0	0	0	0
		Non-cumulative subordinate debentures with no maturity date	0	0	0	0	0	0
		Capital collected in advance	306,000	0	20,600	0	0	0
		Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	63,733	60,296	33,811	33,811	33,811
		Legal Reserve	901,090	1,380,978	16,067	107,812	107,812	107,812
		Special Reserve	999,713	2,119,450	26,584	240,655	240,655	240,655
		Cumulative Profit/Loss	1,609,309	-3,447,196	305,814	-5,046,039	-6,256,003	-6,214,282
		Minority Shareholding	0	0	0	0	0	0
		Other Shareholders' Equity	1,243	-26,584	43,820	-72,449	-334,471	-165,234
		Less: Goodwill	0	2,757,500	2,757,500	2,574,217	2,507,395	2,507,395
		Unamortized loss on sale of delinquent loans	0	0	0	0	0	0
		Deduction items	2,358,898	2,385,062	2,042,419	1,940,220	1,790,543	1,609,945
	Total Tier 1 Capital	16,381,533	13,201,761	13,930,641	9,937,596	8,682,110	9,073,665	
	Tier 2 Capital	Irredeemable Cumulative Preferred Stock	0	0	0	4,000,000	4,000,000	4,000,000
		Cumulative subordinate debentures with no maturity date	0	0	0	0	0	0
		Fixed asset revaluation increment surplus	0	0	0	0	0	0
		45% of unrealized gain on financial assets available for sale	0	0	12,552	0	49,128	51,483
		Convertible bonds	0	0	0	0	0	0
		Operating reserve and allowance for bad debts	153,134	63,814	738,216	845,492	0	0
Long-term subordinate debentures		6,400,000	7,793,412	7,908,334	5,706,667	4,040,000	3,590,000	
Redeemable preferred stocks		0	0	0	0	0	0	
The sum of irredeemable non-cumulative preferred stocks and non-cumulative subordinate debentures with no maturity in excess of 15% of total Tier 1 Capital		0	0	0	0	0	0	
Less: Deduction items		2,358,897	2,385,061	1,975,394	1,940,220	1,790,543	1,609,945	
Total Tier 2 Capital	4,194,237	5,472,165	6,683,708	8,611,939	6,298,585	6,031,538		
Tier 3 Capital	Short-term subordinate debentures	0	0	0	0	0	0	
	Redeemable preferred stock	0	0	0	0	0	0	
	Total Tier 3 Capital	0	0	0	0	0	0	
Regulatory Capita		20,575,769	18,673,926	20,614,349	18,549,535	14,980,695	15,105,203	
Risk-weighted Assets	Credit Risk	Standardized Approach	158,993,550	197,017,419	206,525,039	180,228,521	154,638,398	147,619,786
		Internal Ratings-Based Approach	0	0	0	0	0	0
		Asset Securitization	0	0	0	7,248,829	760,942	666,013
	Operational Risk	Basic Indicator Approach	0	0	0	15,819,638	16,657,182	16,657,182
		Standardized Approach/ Alternative Standardized Approach	0	0	0	0	0	0
		Advanced Measurement Approach	0	0	0	0	0	0
	Market Risk	Standardized Approach	6,959,300	13,496,275	9,281,313	6,356,923	5,137,292	3,731,817
Internal Model Approach		0	0	0	0	0	0	
Total Risk-weighted Assets		165,952,850	210,513,694	217,720,435	209,653,910	177,193,814	168,674,798	
Capital Adequacy Ratio		12.40%	8.87%	9.47%	8.85%	8.45%	8.96%	

Financial Highlights

Ratio of tier 1 capital to risk-weighted assets	9.87%	6.27%	6.40%	4.74%	4.90%	5.38%
Ratio of tier 2 capital to risk-weighted assets	2.53%	2.60%	3.07%	4.11%	3.55%	3.58%
Ratio of tier 3 capital to risk-weighted assets	0	0	0	0	0	0
Ratio of common stocks to total assets	6.14%	5.55%	5.06%	5.35%	5.36%	4.83%

Please explain the reasons for changes (if any) in the capital adequacy ratios for the past two years except for changes under 20%

Notes:

- All financial ratios have been audited by independent auditors except those for Quarter 1, 2009.
- The ratios are computed as follows:
 - Core equity= Tier 1 capital + tier 2 capital + tier 3 capital
 - Total risk-weighted assets= Credit risk weighted assets + (operational risk + market risk) capital appropriation* 12.5.
 - Capital adequacy ratio= Regulatory capital/Total risk-weighted assets.
 - Ratio of tier 1 capital to risk-weighted assets = Tier 1 capital/Total risk-weighted assets.
 - Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital/Total risk-weighted assets.
 - Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital/Total risk-weighted assets.
 - Common Stock to A Total Assets Ratio= Common Stock/Total Assets.
- The Basel I standards are applicable during the period from 2002 to 2006, and the ratios are computed as follows:
 - 50% of the Basel I capital deduction items are accounted for as deduction items under Tier 1 Capital deduction items and the remaining 50% are accounted for as deduction items under Tier 2 Capital.
 - Basel I Credit Risk Requirement- listed as the capital requirement to cover credit risk under the "standardized approach".





Capital Adequacy

(Consolidated)

Unit: NT\$ in thousand

Item		Year	Financial Data for the Past Five Years (Note)				
			2004	2005	2006	2007	2008
Regulatory Capital	Tier 1 Capital	Common Stock	14,889,264	18,253,942	18,257,379	25,358,882	19,188,244
		Irredeemable non-cumulative preferred stock	0	0	0	0	0
		Non-cumulative subordinate debentures with no maturity date	0	0	0	0	0
		Capital collected in advance	306,000	0	20,600	0	0
		Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	63,733	60,296	33,811	33,811
		Legal Reserve	901,090	1,380,978	16,067	107,812	107,812
		Special Reserve	999,713	2,119,450	26,584	240,655	240,655
		Cumulative Profit/Loss	1,609,533	-3,446,896	305,814	-5,046,039	-6,256,003
		Minority Shareholding	2,083,463	2,113,161	0	0	1,616,592
		Other Shareholders' Equity	1,243	-26,584	43,820	-173,382	-334,471
		Less: Goodwill	5,466	2,757,500	2,757,500	2,574,217	2,507,396
		Unamortized loss on sale of delinquent loans	0	0	0	0	0
		Deduction items	1,037,620	836,976	960,842	2,289,832	583,936
	Total Tier 1 Capital	19,781,031	16,863,308	15,012,218	15,657,690	11,505,308	
	Tier 2 Capital	Irredeemable Cumulative Preferred Stock	0	0	0	4,000,000	4,000,000
Cumulative subordinate debentures with no maturity date		0	0	0	0	0	
Fixed asset revaluation increment surplus		0	0	0	0	0	
45% of unrealized gain on financial assets available for sale		0	0	12,552	12,485	49,128	
Convertible bonds		0	0	0	0	0	
Operating reserve and allowance for bad debts		437,868	320,575	803,520	878,547	0	
Long-term subordinate debentures		6,400,000	7,434,300	7,602,934	5,706,667	3,843,500	
Redeemable preferred stocks		0	0	0	0	0	
The sum of irredeemable non-cumulative preferred stocks and non-cumulative subordinate debentures with no maturity in excess of 15% of total Tier 1 Capital		0	0	0	0	0	
Less: Deduction items		1,037,619	836,976	893,817	2,289,832	583,936	
Total Tier 2 Capital	5,800,249	6,917,900	7,525,189	8,307,867	7,308,692		
Tier 3 Capital	Short-term subordinate debentures	0	0	0	0	0	
	Redeemable preferred stock	0	0	0	0	0	
	Total Tier 3 Capital	0	0	0	0	0	
Regulatory Capital			23,781,208	22,537,407	23,965,557	18,814,000	
Risk-weighted Assets	Credit Risk	Standardized Approach	178,839,212	215,021,523	223,100,007	194,310,086	169,321,710
		Internal Ratings-Based Approach	0	0	0	0	0
		Asset Securitization	0	0	0	7,248,829	760,942
	Operational Risk	Basic Indicator Approach	0	0	0	16,606,550	17,915,629
		Standardized Approach/ Alternative Standardized Approach	0	0	0	0	0
		Advanced Measurement Approach	0	0	0	0	0
	Market Risk	Standardized Approach	26,104,063	30,360,513	19,417,625	15,461,962	8,577,007
		Internal Model Approach	0	0	0	0	0
Total Risk-weighted Assets		204,943,275	245,383,036	242,517,632	233,627,426	196,575,289	
Capital Adequacy Ratio		12.48%	9.69%	9.29%	10.26%	9.57%	
Ratio of tier 1 capital to risk-weighted assets		9.65%	6.87%	6.19%	6.70%	5.85%	

Financial Highlights

Ratio of tier 2 capital to risk-weighted assets	2.83%	2.82%	3.10%	3.56%	3.72%
Ratio of tier 3 capital to risk-weighted assets	0	0	0	0	0
Ratio of common stocks to total assets	7.27%	7.27%	7.53%	5.06%	5.11%
Please explain the reasons for changes (if any) in the capital adequacy ratios for the past two years except for changes under 20%					

Notes:

- All financial ratios have been audited by independent auditors except those for Quarter 1, 2008 which were unaudited figures.
- The ratios are computed as follows:
 - Regulatory capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
 - Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation $\times 12.5$.
 - Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
 - Tier 1 Capital to Risk Assets Ratio = Tier 1 Capital / Total risk-weighted assets.
 - Tier 2 Capital to Risk Assets Ratio = Tier 2 Capital / Total risk-weighted assets.
 - Tier 3 Capital to Risk Assets Ratio = Tier 3 Capital / Total risk-weighted assets.
 - Common Stock to A Total Assets Ratio = Common Stock / Total Assets.
- The Basel I standards are applicable during the period from 2002 to 2006. The ratios are computed as follows:
 - 50% of the Basel I capital deduction items are accounted for as deduction items under Tier 1 Capital deduction items and the remaining 50% are accounted for as deduction items under Tier 2 Capital.
 - Basel I Credit Risk Requirement- listed as the capital requirement to cover credit risk under the "standardized approach".





3. Supervisors' Report for the 2008 Financial Statements

Union Bank of Taiwan Co., Ltd.
Supervisors' Report

The Bank's Financial Statements and Consolidated Financial Statements for 2008, including Balance Sheets, Income Statements and Changes in Shareholders' Equity, which have been audited by Deloitte & Touche, have been prepared and submitted by the Board of Directors to us. The above mentioned reports have been examined and determined to be correct and accurate by the undersigned, the supervisors of Union Bank of Taiwan. We hereby submit this report according to Article 219 of the Company Law.

Resident Supervisor: *Yu-Quan Development Co., Ltd.*

Representative: *Yu-Quan Lee*

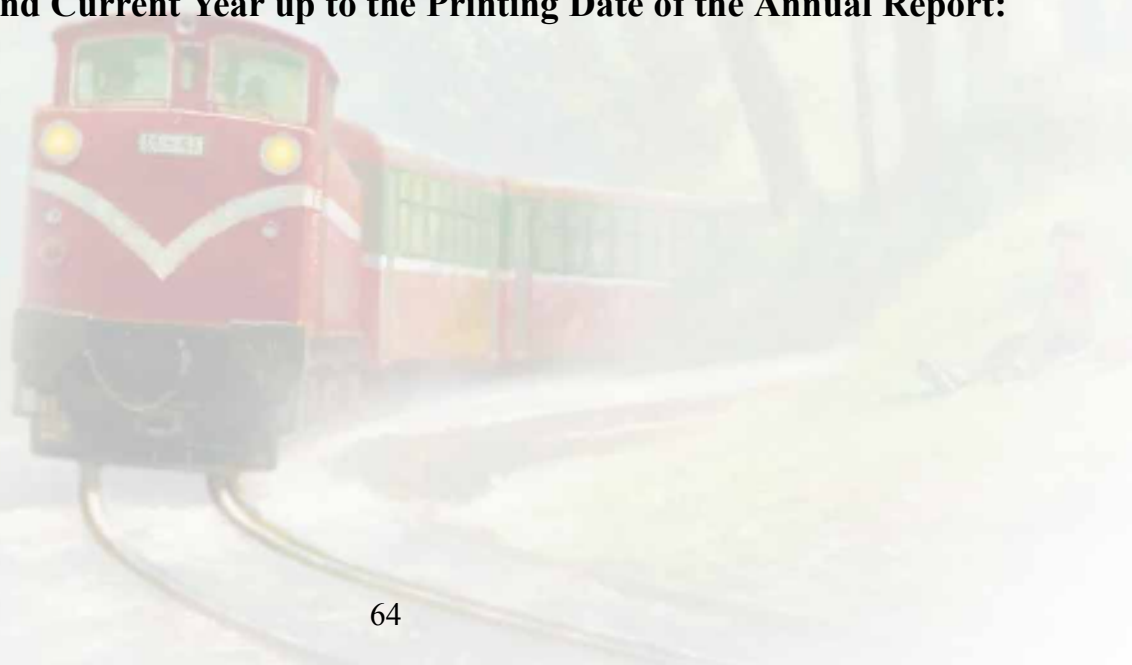
Supervisor: *Pao-Hsing Investment Co., Ltd.*

Representative: *Zhen-Lu Lin*

Supervisor: *Ming-Hsing Ho*

March 25, 2009

4. **Financial Statements for 2008: Please Refer to Appendix 1.**
5. **Audited Consolidated Financial Statements for 2008: Please Refer to Appendix 2.**
6. **Financial Difficulties Experienced by the Bank and Its Affiliated Enterprises in the Past Year and Current Year up to the Printing Date of the Annual Report: None.**





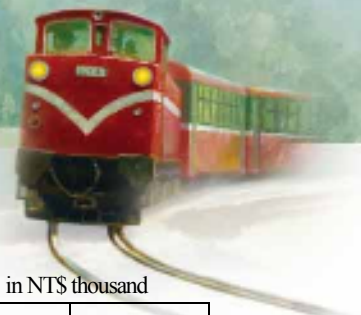
1. Financial Status

Unit: NT\$ in thousand

Item	Year	Dec. 31, 2008	Dec. 31, 2007	Difference	
				Amount	%
Cash & cash equivalent, Due from Central Bank and Interbank Call Loan		\$49,126,993	\$28,052,923	\$21,074,070	75
Financial assets at fair value through profit or loss		7,675,019	7,746,462	(71,443)	(1)
Securities purchased under re-sale agreements		6,555,286	5,863,732	691,554	12
Financial assets available for sale		6,279,718	3,439,568	2,840,150	83
Discount & loans		179,918,155	205,523,586	(25,605,431)	(12)
Accounts Receivable		23,513,603	28,967,953	(5,454,350)	(19)
Held-to-maturity investment		36,318,287	48,559,541	(12,241,254)	(25)
Stock investments accounted for under the Equity Method		2,479,374	2,946,398	(467,024)	(16)
Property & equipment		8,511,227	8,618,058	(106,831)	(1)
Intangibles		2,507,395	2,574,217	(66,822)	(3)
Other Financial Assets		24,632,165	4,757,711	19,874,454	418
Other Assets		10,173,727	11,478,015	(1,304,288)	(11)
Total Assets		357,690,949	358,528,164	(837,215)	-
Call loans & due to banks		20,074,203	27,086,819	(7,012,616)	(26)
Deposits & Remittance		277,751,334	263,954,435	13,796,899	5
Financial liabilities at fair value through profit or loss		212,904	61,326	151,578	247
Securities sold under re-purchase agreements		27,843,332	32,865,259	(5,021,927)	(15)
Accounts Payable		4,981,318	4,776,100	205,218	4
Borrowing from Central Bank and Other Banks & Financial Bills Payable		9,044,300	10,526,400	(1,482,100)	(14)
Preferred Stock Liabilities		-	327,200	(327,200)	(100)
Other Financial Liabilities		220,896	254,580	(33,684)	(13)
Other Liabilities		473,441	578,133	(104,692)	(18)
Total Liabilities		340,601,728	340,430,252	171,476	-
Capital		23,188,244	22,861,044	327,200	1
Capital Surplus		33,811	33,811	-	-
Retained Earnings		(5,907,536)	(4,697,572)	(1,209,964)	26
Unrealized Loss on Financial Assets		(244,849)	(124,678)	(120,171)	96
Cumulative translation adjustments		49,843	39,243	10,600	27
Shareholders' Equity- Other		(30,292)	(13,936)	(16,356)	117
Total Shareholders' Equity		17,089,221	18,097,912	(1,008,691)	(6)

Notes:

- The increase in Cash and cash equivalents, Due from Central Bank and Interbank Call Loans is a result of the increase in time deposits of the Central Bank.
- The increase/decrease in Financial assets (liabilities) at fair value through profit or loss, Financial assets in available-for-sale, and Financial assets held to maturity is primarily due to the increase in investments in government bonds, corporate debentures and derivatives and the decrease in investments in beneficiary securities.
- The increase in Other Financial Assets was primarily the result of the increase in beneficiary securities included in non-active market debt instruments.
- Call loans & due to banks and CBC decreased primarily due to the decrease in Chunghwa Post Co., Ltd. deposits and due to banks.
- The decrease in Preferred Stock Liabilities was due to reclassification of the account to capital.
- The decrease in Retained Earnings was a result of recognition of after-tax loss for the 2008 income year. Please refer to descriptions on the results of operations for analysis on the account movements.
- The increase in Unrealized Loss on Financial Assets was mainly the result of recognition of valuation loss of available-for-sale financial assets and unrealized loss on equity-method stock investments in accordance with the ownership percentage.
- The increase in Cumulative Translation Adjustment was mainly made up by translation adjustments of equity-method stock investments.
- The decrease in Shareholders' Equity- Other is a result of the increase in pension fund.



2. Results of Operation

in NT\$ thousand

Item	2008		2007		Change in Amount	Change in %
	Amount		Amount			
Interest Income		\$7,293,692		\$7,256,304	37,388	1
Income other than Interest Income		(1,028,430)		682,513	(1,710,943)	(251)
Bad debt expense		2,692,090		8,404,095	5,712,005	68
Operating expense		5,362,815		5,993,462	630,647	11
Wages & salaries	2,226,992		2,573,336		346,344	13
Depreciation & amortization expense	489,110		477,853		(11,257)	(2)
Other business & administrative expense	2,646,713		2,942,273		295,560	10
Income (loss) before tax		(1,789,643)		(6,458,740)	4,669,097	72
Income tax benefits (expense)		579,679		1,516,382	(936,703)	(62)
Net Loss		(1,209,964)		(4,942,358)	3,732,394	76

Notes of change:

- The decrease in Income other than Interest Income was due to recognition of asset impairment losses.
- The decrease in Bad debt expense was due to the decrease in provision for bad debts for the 2008 income year against 2007. The decrease in provision reflected that the impact of the credit card bad debt crisis was gradually easing after near three years of adjustment to and cleanup of the nonperforming loans.
- The decrease in Income (loss) before tax and Net Loss was the result of the decrease in bad debts for 2008 against 2007.

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

Item	Year	2008	2007	Change (%)
	Cash flow ratio (%)		9.2	2.16
Cash flow adequacy ratio (%)		309.4	12.49	296.91
Cash reinvestment ratio (%)		-	-	-

Analysis of changes in proportion:

- The Cash flow ratio increased mainly due to the increase in outstanding accounts collected which contributed to the increase in net cash from operating activities.
- The Cash flow adequacy ratio increased mainly due to the fact that the increase in the net inflow of cash from operating activities was greater than the amount of capital expenditure.

(2) Liquidity Analysis for the Next Year

Opening balance of cash ①	Expected cash inflows (outflows) from operating activities②	Total expected cash inflows (outflows) ③	Expected cash surplus (deficit) ①+②+③	Implementation for cash deficiency	
				Investment Plan	Financing Plan
6,345,996	5,003,147	(5,956,091)	5,393,052	-	-

1. Cash flow analysis:

- Operating activities: The increase was due to business growth and increases in operating revenue and profitability.
- Investing activities: To meet the business demand of growth in loans.
- Financing activities: To meet the business demand of growth in loans, expansion of deposits and capital increase.

2. Measures to finance cash deficiency and liquidity analysis: None.



4. The Impact of Major Capital Expenditure During 2008 on the Bank's Financial Operations

Major Capital Expenditures in Recent Years:

Unit: NT\$ in thousand

Project	Sources of Funding	Date of Completion	Total Funding Required	Utilization of Actual or Estimated Source of Funding					
				Actual or	Estimated	2006	2007	2008	2009
Office equipment	Self-funding	December 2008	\$414,521	\$150,926	\$154,374	\$29,666	\$79,555	\$ -	\$ -
Transportation equipment	Self-funding	December 2008	145,083	107,591	13,865	5,613	18,014	-	-
Other equipment	Self-funding	December 2008	45,694	8,272	10,686	4,480	22,256	-	-
Land	Self-funding	December 2008	388,301	116,605	76,845	194,851	0	-	-
Building & improvements	Self-funding	December 2008	349,675	9,075	0	46,730	293,870	-	-

Expected Benefits from Capital Expenditures:

1. Expected increase in operating revenue, operating expense and operating income: capable of improving the Bank's corporate image, quality of service, ensuring the stability of the retail offices and achieving rental cost saving.
2. Other expected benefits: None.

5. Reinvestment Policy, the Main Reasons for Profit or Loss, and Corrective Action Plan in 2008, and Investment Plan for the Next Year:

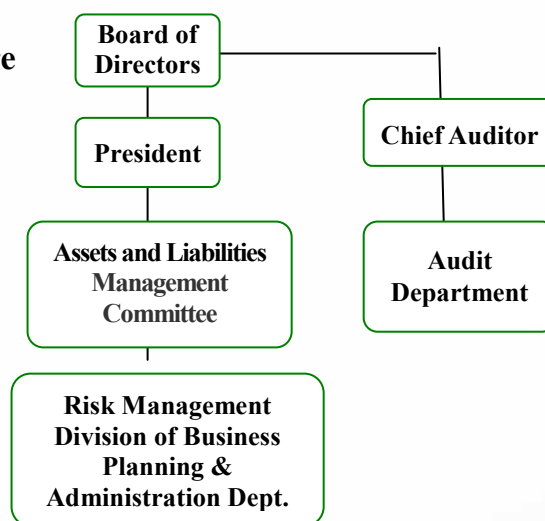
- (1) The Bank's reinvestment strategy aims at establishing a comprehensive peripheral financial system and ensuring that product and marketing channels are closely knitted through the business network of affiliated enterprises. The businesses reinvested by the Bank cover the various financial segments, such as bills finance, leases, securities investment trust and insurance agent, which help the entire enterprise's operation positively, satisfy customers' diversified needs and upgrade the quality of our services. Besides, the Bank reviews all the financial and business status of its reinvested enterprises periodically and makes appropriate adjustments to the reinvested enterprises in a timely manner to positively manage the performance of its investments.
- (2) The global financial catastrophe caused the gradual decline in the global economy starting the later half of 2008. A part of the Bank's reinvested enterprises derived less profit for the current income year against the previous year. For the purpose of improving the efficiency of fund utilization, two investees of the Bank namely, Chiao-Da Venture Capital Co., Ltd. and Lih-Yu Venture Capital Co., Ltd. undertook capital reduction. Being an associate member of the National Credit Card Center (NCCC), the Bank has received bonus stocks from VISA Inc. and MasterCard International and a stable stream of cash dividends on an annual basis thereafter, which will increase the Bank's revenue. For the 2008 income year, the Bank recognized an investment loss on equity-method investees of \$269,210 thousand.
- (3) The Bank has no reinvestment plan in the coming year.



6. Risk Management

(1) Risk Management Structure

A. Organization Structure



Major risks confronting the Bank include credit risks, market risks, operational risks and liquidity risks. The Risk Management Division operating under the Bank's Business Planning & Administration Dept. is in charge of the BASEL conformance projects, execution of the respective risk management standards, evaluation of risk situations and construction and maintenance of the various risk management systems in accordance with the Risk Management Policy adopted by the Board of Directors.

B. Risk Management Policy

The Bank's Risk Management Policy aims at ensuring the security of the Bank's assets, quality of the assets and financials and compliance with regulatory requirements. The Bank implements risk pricing and performance evaluation by making adjustments to capital allocation. The short-term goal is to integrate and compile the various risk variables to establish precise quantitative risk indicators. The long-term goal is to set up a risk management and review mechanism and incorporate the results in risk pricing, customer relationship and performance evaluations to maximise shareholders' benefits.

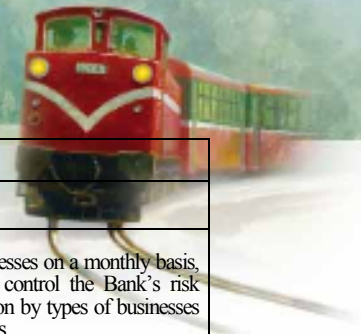
(2) Qualitative and Quantitative Information About the Various Risks:

A. Credit Risk Management System and Capital Requirement of 2008:

Credit Risk Management System
2008

Item	Contents
1. Credit risk strategies, objectives, policies and procedures	<p><u>Strategies:</u> The Bank has enacted the "Credit Risk Management Guidelines of Union Bank of Taiwan", which serves to be the basis for the Bank's relevant units to plan, promote, manage and execute credit risk management.</p> <p><u>Objectives:</u> The short-term objective is based on the Standard Method to establish the internal control mechanism. The mid-term and long-term objectives aim at establishing the Bank's internal assessment model and the assessment result will be the important reference for the Bank's credit investigation and extension operations and internal control.</p> <p><u>Policies:</u> Maintain adequate capital and create maximum rewards within the tolerable scope.</p> <p><u>Procedure:</u> The procedure for risk identification, measuring, communication and supervision and management.</p>
2. Credit risk management organization and structure:	<ol style="list-style-type: none"> 1. Board of Directors, the supreme body of the Bank's risk management policy, is responsible for the review and approval of the risk policies, hedging strategies, risk limit structure and the relevant risk reports formulated and compiled by the Risk Management Division of the Bank's Business Planning & Administration Dept. 2. Assets & Liabilities Management Committee: is responsible for reviewing risk management of the Bank's daily business operations and the Bank's overall risk management affairs. 3. Risk Management Division of the Bank's Business Planning & Administration Dept., the designated risk management unit of the Bank, is responsible for implementing BASEL conformance matters as well as the construction and promotion of the various risk management tools. 4. Execution unit: All branches shall be the execution units working with the Credit Risk Taskforce to implement the

Analysis of the Financial Status and Operating Results & Risk Management



Item	Contents
	Bank's credit risk management.
3. Scope and characteristics of credit risk report and measuring system	<p>Risk report and measuring system: The Bank follows up and reports the NPL and collection in the various credit extension businesses on a monthly basis, and establishes the capital requirement system under the credit risk standard method to control the Bank's risk periodically. Further, the Bank may output an official statement monthly providing information by types of businesses and the analysis information by types of branches and customers for the credit extension business.</p> <p>Scope of risk report: 1. The Credit Risk Taskforce will report to Assets & Liabilities Management Committee the balance, NPL and collection of the credit extension business and layout of the risk-based assets periodically. 2. Risk Management Division of the Bank's Business Planning & Administration Dept. will report to the Board the execution of risk control measures against the various businesses.</p>
4. Credit risk hedging or reduction policies, and effective strategies and procedures for controlling risk hedging and reduction tools	The Bank will take appropriate action to avoid, reduce/ transfer, lower and bear the potential loss in the credit risk to be encountered by the various businesses subject to the nature of business and cost effects. The Bank's information system provides the relevant information to the management level to conduct the risk control procedure, and then the unit dedicated to risk control will report to the Board the various risk controls periodically.
5. Approach to require the authorized capital	Standard Method.

Exposure after risk reduction & capital requirement for standard method of credit risk

As of March 31, 2009

Unit: NT\$ in thousand

Type of exposure	Balance after risk reduction	Capital requirement
Sovereign states	0	0
Public departments other than the central government	173,624	13,890
Banks (including multiple development banks)	3,071,948	245,756
Enterprises (including securities and insurance companies)	33,082,260	2,646,581
Retailing credits	50,069,167	4,005,533
Residential real property	43,083,755	3,446,700
Investments in equity securities	1,849,823	147,986
Other assets	16,280,468	1,302,437
Total	147,611,046	11,808,884

B. Risk Management System, Exposure and Capital Requirement of Asset Securitization of 2008: Risk Management System of Asset Securitization of 2008

Item	Contents
1. Asset securitization management strategy and procedure	<p>Strategy: For the time being, the Bank's securitization strategy is intended to prevent the Bank from being a founding bank of any securitized products other than an investor. The underlying assets of investments are also focused on the highest grade beneficiary securities.</p> <p>Procedure: Upon assessment of the characteristics, credit ratings, rewards and risks of products prior to the investment, report it to the Board of Managing Directors and review the external rating of the investments periodically upon the investment.</p>
2. Asset securitization management organization and framework	The Bank does not act as a founding bank of any securitized products. The positions invested are evaluated and reviewed by the investing unit and the Bank's risk management unit periodically.
3. Scope and characteristics of asset securitization risk report and measuring system	The beneficiary securities dominated in NTD are focused primarily on ABCP of Land Bank of Taiwan and Taishin Int'l Com'l Bank. The Bank will supervise and control the credit ratings of beneficiary securities and asset pools. In addition to observe the economy, inflation and market interest rate with respect to the CMO secured by the U.S. Government to decide whether it is necessary to engage in interest rate hedging, the Bank, meanwhile, will also evaluate and assess the risk periodically, and make presentation before Assets & Liabilities Management Committee on a monthly basis, and submit the risk report to the Board semiannually.
4. Asset securitization hedging or risk reduction policies, and effective strategies and procedures for controlling risk hedging and reduction tools	The relevant units shall review and control the securitized products invested by them periodically.
5. Approach to require the authorized capital	Standard Method

Status of Asset Securitization As of March 31, 2009

Type	Total issue amount	Outstanding balance	Balance of repurchase
		None	



Exposure & capital requirement of Asset Securitization As of March 31, 2009

Unit: NT\$ in thousand

Type of exposure	Non-founding bank		Founding bank					
	Purchased or held securitized exposures	Capital requirement	Exposure				Asset-based promissory note	Capital requirement prior to securitization
			Non-asset-based promissory note		Portfolio			
			Conventional	With position	Without position	Without position		
House loans	55,988,554	0						
Asset-based promissory note	644,595	51,568						
Beneficiary securities	42,836	1,713						
Total	56,675,985	53,281						

Information of Asset-Backed Securities As of December 31, 2008

a. Summary of Investment in Asset-Backed Securities

New Taiwan Dollar :

Unit: NT\$ in thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
RMBS	Non-active market debt instruments	7,998	0	0	7,998
CBO	Non-active market debt instruments	43,732	0	0	43,732
ABCP	Non-active market debt instruments	2,246,258	0	962,389	1,283,869
REIT	Available-for-sale financial assets	52,450	(5,150)	0	47,300

Foreign Currency:

USD : NTD = 1 : 32.774 Unit: NT\$ in thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
CMO	Held-to-maturity financial assets	35,228,476	0	0	35,226,109
CMO	Non-active market debt instruments	19,204,456	0	0	19,186,815

b.

(a) Information on asset-backed investments where the initial cost of a single investment is in excess of NT\$300 million (excluding those held by the Originator for the purpose of credit enhancement):

New Taiwan Dollar :

Unit: NT\$ in thousand

Name of Securities	Currency	Issuer & Place	Purchase Date Maturity Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attachment Point	Details of Asset Pool
Taishin CBO Special Purpose Trust 2	NTD	Land Bank Taiwan	20051123 20091122	90-day secondary market commercial paper +0.15%	None	Quarterly	2,246,258	0	962,389	1,283,869	N/A	50% NTD structured notes (primary) & 50% CDO denominated in USD

Note : This item is accounted for under 「Non-active market debt instruments」.

Analysis of the Financial Status and Operating Results & Risk Management

Foreign Currency:

USD : NTD = 1 : 32.774 Unit: NT\$ in thousand

Name of Securities	Account (Note)	Currency	Issuer & Place	Purchase Date Maturity Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attach- ment Point	Details of Asset Pool
Ginnie Mae CMO US38375JHS78	①	USD	Ginnie Mae	20070228 20120228	7.20	AAA	Monthly Interest Payment & Principal Repayment	830,871	0	0	830,871	N/A	N/A
Ginnie Mae CMO US38375JHU25	①	USD	Ginnie Mae	20070330 20120330	7.23	AAA	Monthly Interest Payment & Principal Repayment	830,871	0	0	830,871		
Ginnie Mae CMO US38375JQE81	①	USD	Ginnie Mae	20070330 20120330	7.11	AAA	Monthly Interest Payment & Principal Repayment	737,243	0	0	737,243		
Ginnie Mae CMO US38375MZR4	①	USD	Ginnie Mae	20070430 20120430	7.10	AAA	Monthly Interest Payment & Principal Repayment	642,107	0	0	642,107		
Ginnie Mae CMO US38375JYF6	①	USD	Ginnie Mae	20070430 20120430	7.20	AAA	Monthly Interest Payment & Principal Repayment	1,103,895	0	0	1,103,895		
Ginnie Mae CMO US38375J4Y83	①	USD	Ginnie Mae	20070530 20120530	7.32	AAA	Monthly Interest Payment & Principal Repayment	2,199,090	0	0	2,199,090		
Ginnie Mae CMO US38375KGD8	①	USD	Ginnie Mae	20070629 20120629	7.30	AAA	Monthly Interest Payment & Principal Repayment	585,679	0	0	585,679		
Ginnie Mae CMO US38375KVN9	①	USD	Ginnie Mae	20070629 20120629	7.30	AAA	Monthly Interest Payment & Principal Repayment	644,704	0	0	644,704		
Ginnie Mae CMO US38375KHU97	①	USD	Ginnie Mae	20070725 20120725	7.30	AAA	Monthly Interest Payment & Principal Repayment	585,318	0	0	585,318		
Ginnie Mae CMO US38375KRG9	①	USD	Ginnie Mae	20070726 20120726	7.30	AAA	Monthly Interest Payment & Principal Repayment	610,656	0	0	610,656		
Ginnie Mae CMO US38375KPL0	①	USD	Ginnie Mae	20070730 20120730	7.30	AAA	Monthly Interest Payment & Principal Repayment	1,197,678	0	0	1,197,678		
Ginnie Mae CMO US38375KFH0	①	USD	Ginnie Mae	20070730 20120730	7.30	AAA	Monthly Interest Payment & Principal Repayment	625,127	0	0	625,127		
Ginnie Mae CMO US38375KFG2	①	USD	Ginnie Mae	20070730 20120730	7.30	AAA	Monthly Interest Payment & Principal Repayment	751,044	0	0	751,044		
Ginnie Mae CMO US38375KPY2	①	USD	Ginnie Mae	20070731 20120731	7.30	AAA	Monthly Interest Payment & Principal Repayment	694,312	0	0	694,312		
Ginnie Mae CMO US38375KKD36	①	USD	Ginnie Mae	20070725 20120725	7.30	AAA	Monthly Interest Payment & Principal Repayment	1,089,676	0	0	1,089,676		
Ginnie Mae CMO US38375LAF76	①	USD	Ginnie Mae	20070830 20120830	7.60	AAA	Monthly Interest Payment & Principal Repayment	894,575	0	0	894,575		
Ginnie Mae CMO US38375LMJ60	①	USD	Ginnie Mae	20071030 20121030	7.50	AAA	Monthly Interest Payment & Principal Repayment	621,963	0	0	621,963		

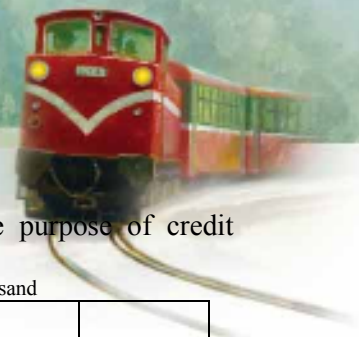
Analysis of the Financial Status and Operating Results & Risk Management

Name of Securities	Account (Note)	Currency	Issuer & Place	Purchase Date Maturity Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attach- ment Point	Details of Asset Pool
Ginnie Mae CMO US38375L3R97	②	USD	Ginnie Mae	20080104 20130104	7.39	AAA	Monthly Interest Payment & Principal Repayment	616,101	0	0	616,101		
Ginnie Mae CMO US38375KQW5	①	USD	Ginnie Mae	20070727 20120727	7.30	AAA	Monthly Interest Payment & Principal Repayment	1,080,651	0	0	1,080,651		
Ginnie Mae CMO US383742GX5	②	USD	Ginnie Mae	20080229 20130229	6.45	AAA	Monthly Interest Payment & Principal Repayment	1,428,708	0	0	1,428,708		
Ginnie Mae CMO US38374DR50	②	USD	Ginnie Mae	20080527 20130527	6.80	AAA	Monthly Interest Payment & Principal Repayment	3,731,484	0	0	3,731,484		
Ginnie Mae CMO US3837424Z31	②	USD	Ginnie Mae	20080729 20130729	6.10	AAA	Monthly Interest Payment & Principal Repayment	1,363,863	0	0	1,363,863		
Ginnie Mae CMO US3837424A89	②	USD	Ginnie Mae	20080730 20130730	6.00	AAA	Monthly Interest Payment & Principal Repayment	2,497,558	0	0	2,497,558		
Ginnie Mae CMO US38375XH645	②	USD	Ginnie Mae	20080829 20130929	6.15	AAA	Monthly Interest Payment & Principal Repayment	2,768,283	0	0	2,768,283		
Ginnie Mae CMO US38375DKT53	②	USD	Ginnie Mae	20080229 20130229	7.32	AAA	Monthly Interest Payment & Principal Repayment	434,048	0	0	434,048		
Ginnie Mae CMO US38375PYR6	②	USD	Ginnie Mae	20080331 20130331	6.15	AAA	Monthly Interest Payment & Principal Repayment	1,336,451	0	0	1,336,451		
Ginnie Mae CMO US38375PR947	②	USD	Ginnie Mae	20080430 20130430	7.05	AAA	Monthly Interest Payment & Principal Repayment	1,590,575	0	0	1,590,575		
Freddie Mac CMO US31395UK830	①	USD	Freddie Mac	20050531 20100531	7.00	AAA	Monthly Interest Payment & Principal Repayment	664,386	0	0	664,386		
Freddie Mac CMO US31395W5V59	①	USD	Freddie Mac	20050729 20100729	7.00	AAA	Monthly Interest Payment & Principal Repayment	1,438,396	0	0	1,438,396		
Freddie Mac CMO US31395W5N34	①	USD	Freddie Mac	20050729 20100729	7.00	AAA	Monthly Interest Payment & Principal Repayment	308,228	0	0	308,228	N/A	N/A
Freddie Mac CMO US31395WW526	①	USD	Freddie Mac	20050830 20100830	7.10	AAA	Monthly Interest Payment & Principal Repayment	908,796	0	0	908,796		
Freddie Mac CMO US31396FSY06	①	USD	Freddie Mac	20051230 20101230	7.40	AAA	Monthly Interest Payment & Principal Repayment	331,124	0	0	331,124		
Freddie Mac CMO US31396JEV35	①	USD	Freddie Mac	20060630 20110630	7.20	AAA	Monthly Interest Payment & Principal Repayment	535,292	0	0	535,292		
Freddie Mac CMO US31396UUX61	①	USD	Freddie Mac	20060728 20110728	7.70	AAA	Monthly Interest Payment & Principal Repayment	825,447	0	0	825,447		
Freddie Mac CMO US31397B3B55	①	USD	Freddie Mac	20060929 20110929	7.55	AAA	Monthly Interest Payment & Principal Repayment	440,605	0	0	440,605		

Name of Securities	Account (Note)	Currency	Issuer & Place	Purchase Date Maturity Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attachment Point	Details of Asset Pool
Freddie Mac CMO US31397BWC17	①	USD	Freddie Mac	20061030 20111030	7.30	AAA	Monthly Interest Payment & Principal Repayment	555,811	0	0	555,811		
Freddie Mac CMO US31397BWD99	①	USD	Freddie Mac	20061030 20111030	7.30	AAA	Monthly Interest Payment & Principal Repayment	742,023	0	0	742,023		
Freddie Mac CMO US31397EHC21	①	USD	Freddie Mac	20061229 20111229	7.40	AAA	Monthly Interest Payment & Principal Repayment	1,109,012	0	0	1,109,012		
Freddie Mac CMO US31397EAL92	①	USD	Freddie Mac	20061229 20111229	7.30	AAA	Monthly Interest Payment & Principal Repayment	690,269	0	0	690,269		
Freddie Mac CMO US31397F7C02	①	USD	Freddie Mac	20070228 20120228	7.50	AAA	Monthly Interest Payment & Principal Repayment	372,658	0	0	372,658		
Freddie Mac CMO US31397TCM2	②	USD	Freddie Mac	20080430 20130430	7.30	AAA	Monthly Interest Payment & Principal Repayment	1,110,826	0	0	1,110,826		
Freddie Mac CMO US31397TCQ3	②	USD	Freddie Mac	20080430 20130430	7.10	AAA	Monthly Interest Payment & Principal Repayment	1,139,953	0	0	1,139,953		
Freddie Mac CMO US31397TCT7	②	USD	Freddie Mac	20080430 20130430	7.10	AAA	Monthly Interest Payment & Principal Repayment	1,186,607	0	0	1,186,607		
Fannie Mae CMO US31394EQN12	①	USD	Fannie Mae	20050630 20100630	7.00	AAA	Monthly Interest Payment & Principal Repayment	1,960,816	0	0	1,960,816		
Fannie Mae CMO US31394EEX11	①	USD	Fannie Mae	20050729 20100729	7.10	AAA	Monthly Interest Payment & Principal Repayment	1,819,838	0	0	1,819,838		
Fannie Mae CMO US31394EL553	①	USD	Fannie Mae	20050729 20100729	7.00	AAA	Monthly Interest Payment & Principal Repayment	351,370	0	0	351,370		
Fannie Mae CMO US31394VDA52	①	USD	Fannie Mae	20051230 20101230	7.40	AAA	Monthly Interest Payment & Principal Repayment	522,765	0	0	522,765		
Fannie Mae CMO US31394VWP11	①	USD	Fannie Mae	20060203 20110203	7.20	AAA	Monthly Interest Payment & Principal Repayment	941,195	0	0	941,195		
Fannie Mae CMO US31395BEK52	①	USD	Fannie Mae	20060228 20110228	7.20	AAA	Monthly Interest Payment & Principal Repayment	988,634	0	0	988,634		
Fannie Mae CMO US31395BVA87	①	USD	Fannie Mae	20060228 20110228	7.20	AAA	Monthly Interest Payment & Principal Repayment	577,390	0	0	577,390		
Fannie Mae CMO US31396KRH76	①	USD	Fannie Mae	20060731 20110731	7.80	AAA	Monthly Interest Payment & Principal Repayment	794,595	0	0	794,595		
Fannie Mae CMO US31396PBT75	①	USD	Fannie Mae	20061229 20111229	7.30	AAA	Monthly Interest Payment & Principal Repayment	1,679,649	0	0	1,679,649		

Note: ① Accounted for under "Held-to-Maturity Financial Assets";

② Accounted for under "Non-active market debt instruments"



(b) Asset-backed securities held by the originator of asset securitization for the purpose of credit enhancement

Unit: NT\$ in thousand

Name of Securities	Currency	Purchase Date	Maturity Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attachment Point	Details of Asset Pool
None												

(c) Bank acting as the buyer or liquidating buyer of credit impaired assets of asset-backed securities

Unit: NT\$ in thousand

Name of Securities	Currency	Issuer & Place	Maturity Date	Contract Details	Status of Contract Execution
None					

c. Bank acting as the guarantor of asset-backed securities or provider of liquidity facility:

Unit: NT\$ in thousand

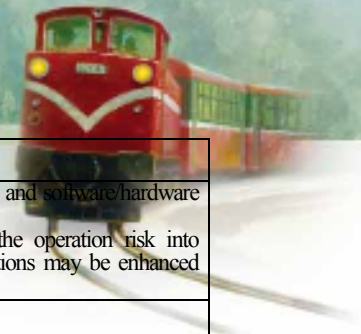
Name of Securities	Currency	Purchase Date	Maturity Date	Coupon Rate	Credit Rating	Acting As	Amount	Attachment Point	Details of Asset Pool
None									

C. Operation Risk Management System and Capital Requirement of 2008:

Operation Risk Management System 2008

Item	Contents
1. Operation risk management strategy and procedure	<p>Operation risk management procedure:</p> <ol style="list-style-type: none"> 1.Risk identification: Define 7 operation risk scenarios, including fraud and corruption, procedure risk, safety control failure, system risk, violation of laws, force majeure and customer's dispute etc. 2.Risk assessment: For the time being, the Bank uses "internal control self-assessment" as the tool to assess operation risk. The Bank will apply the "operation risk self-assessment form" and "operation risk indicator" to measure the frequency and effect of operation risk. 3.Risk measuring: The Bank currently applies the Basic Index Method as the basis for capital requirement of operation risk, and will apply the Standard Method in the near future. 4.Risk report: The relevant units and management will be notified pursuant to the Bank's "Main Points for Collection of Information on Operation Risk Loss".
2. Operation risk management organization and structure:	<ol style="list-style-type: none"> 1.Board of Directors, the supreme decision-making body of the Bank's risk management policy, is responsible for the review and approval of the risk policies, hedging strategies, risk limit structure and the relevant risk reports formulated and compiled by Risk Management Division of the Bank's Business Planning & Administration Dept. 2.Assets & Liabilities Management Committee, is responsible for reviewing risk management of the Bank's daily business operations and the Bank's overall risk management affairs. 3.Risk Management Division of Business Planning & Administration Dept., is responsible for summoning all administration units of the headquarter related to operational risks management to jointly work on the plan for the managing and implementing the Bank's overall operational risk management policy. The respective administration units of the headquarter shall set out clearly in their respective business operation manuals and relevant regulations the procedures for operational risk management. 4.Execution unit: All departments and branches shall be the business execution units, namely the units generating risk. The execution units shall perform their job responsibly pursuant to the Bank's business processing manual and relevant requirements, and identify and control the operation risk in the process of executing the business to ensure the safety of business and accuracy of operation.
3. Scope and characteristics of operation risk report and measuring system	The business execution units shall complete the event report form with respect to the business charged by them before the end of January and July per year. The form shall be submitted to Risk Management Division of Business Planning & Administration Dept. upon being sealed and signed by the heads of business execution units. The Risk Management Div. shall summarize the operation risk report (containing important events, effect, follow-up corrective actions or risk transfer methods) and report the summarization in the (managing directors') directors' meeting in following month.
4. Operation risk hedging or reduction policies, and effective strategies and procedures for controlling risk hedging and reduction tools	<p>The Bank's operation risk hedging or reduction is handled in the following 3 manners:</p> <ol style="list-style-type: none"> 1.Outsourcing operation: First assess the business professional in nature and with the higher risk, and apply the outsourcing operation to commission the business to some professional organization if the assessment result shows that the Bank's cannot conduct the business independently 2.Insurance: Assess the risk that might lead to more loss, and transfer the loss upon to the insurance company able to bear the risk by enrollment in some insurance program insofar as it is permitted under the circumstances (namely, the insurance company is willing to underwrite the insurance proposal). 3.Urgent response actions: meanwhile, such risk transfer mechanism as certain backup and urgent response actions have

Analysis of the Financial Status and Operating Results & Risk Management



Item	Contents
	been planned to cope with the potential risks for failure in the information system, equipment and software/hardware devices. Additionally, the operation manual for core products and internal official letters do take the operation risk into consideration and contain the applicable response actions, and the operation risk response actions may be enhanced through the external and internal audit.
5. Approach to require the authorized capital	Basic Index Method

Operation Risk Capital Requirement As of Mar.31, 2009

Unit: NT\$ in thousand

Year	Gross profit	Capital requirement
2006	10,567,540	
2007	8,363,627	
2008	7,720,324	
Total	26,651,491	1,332,575

D. Market Risk Management System and Capital Requirement of 2008:

Market Risk Management System 2008

Item	Contents
1. Market risk management strategy and procedure	The Bank's market risk management procedure consists of four steps including risk identification, risk measurement, risk supervision and control and risk report. 1. Risk identification: To identify the market risk and document it to help the follow-up operation. 2. Risk measurement: The transaction generation units and risk control units shall research the risk measuring projects applicable to the Bank, and establish the risk measuring mechanism. For the time being, the market measurement is based on the market evaluation. 3. Risk control and management: The Bank's Risk Management Div. shall summarize the risks generated by the market risk units of the Bank, conduct the supervision and control pursuant to the risk management standard operation procedure, and define the procedure to dispose of excess and exceptional circumstances. 4. Risk report: It means the installation of reporting system. The risk management unit shall analyze the information periodically and submit it to competent high-ranking management staff, and disclose the risk in proper meetings periodically.
2. Market risk management organization and structure:	1. Board of Directors: The Board, the supreme decision-making body of the Bank's risk management policy, is responsible for the review and approval of the risk policies, hedging strategies, risk limit structure and the relevant risk reports formulated and compiled by the Risk Management Division of the Bank's Business Planning & Administration Dept. 2. Assets & Liabilities Management Committee, is responsible for reviewing risk management of the Bank's daily business operations and the Bank's overall risk management affairs. 3. Risk Management Division of Business Planning & Administration Dept., is responsible for summoning all investment, financial trading and financial dispatching units related to market risks management to jointly work on the plan for the managing and implementing the Bank's overall market risk management policy. 4. Execution unit: Said investment, financial trading and financial dispatching units which potentially generate market risk shall be the execution units. Risk Management Division of Business Planning & Administration Dept. shall be the final authority to be reported the market risk.
3. Scope and characteristics of market risk report and measuring system	1. Market risk management system: The risk measuring in the market risk management system integrates with the internal authorization transaction limit. The risk management unit shall control the investment income periodically. 2. The market risk management system may produce the sufficient information to help the management levels execute the individual risk control missions, and support the capital requirement approach selected by the Bank and produce the relevant internal and external statements as the basis for decision making.
4. Market risk hedging or reduction policies, and effective strategies and procedures for controlling risk hedging and reduction tools	The Bank's market risk hedging and reduction is conducted in the following manners: 1. Hedging 2. Investment portfolio adjustment 3. Position allocation 4. Stop loss and close
5. Approach to require the authorized capital	Standard Method

Market Risk Capital Requirement March 31, 2009

Unit: NT\$ in thousand

Type of risk	Capital requirement
Interest rate risk	26,719
Equity securities risk	148,779
Foreign exchange risk	123,047
Product risk	0
Total	298,545



E. Liquidity Risk Including the Analysis of Maturities of Assets and Liabilities, and Also Specify the Approach to Manage the Liquidity of Assets and Maturity Gap:

a. Maturity Analysis of NTD Assets and Liabilities

December 31, 2008

Unit: NT\$ in thousand

Item	Total	The amount of remaining period to maturity				
		1~30 days	31~90 days	91~180 days	181 days ~1 year	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 Table includes only New Taiwan Dollars (excluding foreign currency) assets and liabilities for the Head Office and domestic and offshore offices and branches.

b. Maturity Analysis of USD Assets and Liabilities

December 31, 2008

Unit: USD in thousand

Item	Total	The amount of remaining period to maturity				
		1~30 days	31~90 days	91~180 days	181 days ~1 year	Over 1 year
Assets	2,357,101	601,424	43,401	30,871	1,927	1,679,478
Liabilities	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
Accumulated Gap	-	(557,722)	(832,579)	(1,023,271)	(1,166,628)	0

Note: The above Table includes foreign currency (all in USD) assets and liabilities for the Head Office and domestic and offshore offices and branches.

c. Approach to Manage Assets and Liabilities

- The Bank's assets and liabilities management mechanism applies the asset and liability interest rate sensitivity and gap analysis for the purpose of control. For the time being, the Bank established the Assets & Liabilities Management Committee to provide guidance, policy instruction and interest rate gap management. Besides full-process monitoring of interest rate fluctuations and gaps, senior executive meetings are called from time to time according to market requirements to exercise overall adjustment and review of the Bank's asset and liabilities structure, which are presented to the Committee for approval.
- For the NTD and foreign currency interest risk control, the Bank has established the well-founded trading and fund management system to control the daily update in deposits and loans of the Bank, cost and balance of the deposits of the various terms and types, floating and fixed interest rate deposit and loan analysis, interest rate sensitivity assets and liabilities analysis and interest spread analysis. The Bank also utilizes the interest rate adjustment simulation and analysis system to enact the interest rate adjustment strategies.
- For foreign exchange risk, the Bank has designed independent and related procedures and steps for transaction and settlement, and also applied the position control, individual trader position control and stop-loss control etc.
- For liquidity risk, the Bank will strictly supervise and control the Bank's cash on hand and deposit and loan movements every day, and also has established the mechanism to forecast, measure, calculate and early warn the future needs of funding and change to realize current assets to meet the needs.

(3) Domestic and Global Changes in Government Policies and Legal Environment, and the Effect on the Financial and Operational Status of the Bank, and Response Actions thereof:

A. The "Statute of Consumer Insolvency" officially came into effect from April 11, 2008. The impacts and the Bank's countermeasures are as follows:

- The impacts: Some of the cardholders undertook preliminary debt consultation with the Bank, debt cleansing proceedings or liquidation. As such, the revolving interest revenue saw an evident decline. The Bank offered customers a variety of repayment options in order to urge them to undertake preliminary consultation with the Bank so as to avoid further application for debt cleansing or



liquidation. The debts made up approximately 3% of the Bank's total accounts receivable and we considered the effects on the quality of the Bank's asset minimal.

b. Countermeasures :

- (a) Undertook deposit-loan offsets in response to the promulgation of the Statute.
- (b) Establish a set of comprehensive preliminary debt consultation procedures to pursue fast recovery of debts with the goal of increasing the amount of nonperforming loans recovered and preventing further debt cleansing or liquidation procedures.
- (c) Positively encourage clients to individually consult with the Bank or offer clients the principal reduction option to avoid further procedures such as debt cleansing or liquidation.
- (d) Ensure that real estate properties are auctioned in a timely manner where the court has ordered a compulsory enforcement or provisional seizure of the debtor's property.
- (e) Establish a database of ethical risk cases to offer the Bank's preliminary consultation unit and legal department an inquiry source to prevent debtors from taking advantage of the Statute for avoiding debt repayment as well as the associated ethical risks that may result.

B. In June 2008, the Bankers' Association formulated the "Scheme for Consistent Individual Debt Consultation" to address the issue that debtors who reneged on their initial undertaking to repay the debts and simultaneously taking advantage of the "Statute for Consumer Insolvency" by applying to the court for debt cleansing or liquidation proceedings. The impacts of the Policy and the Bank's countermeasures are as follows:

a. Impacts: The Scheme was introduced to address the issue that the severe economic downturn in the contemporary environment may have resulted in a higher rate of involuntary unemployment. The scheme offers debtors, who are victims of uncontrollable circumstances, an opportunity to stand up again. The scheme offers, according to the actual financial condition of the debtor, revised terms under which the debtor is capable of repaying the debt. The objective is to reduce the default rate and hence the Bank's potential losses.

b. Countermeasures: Offer valid and capable repayment solution to the debtor and positively undertake debt security procedures such as requisition of collateral to ensure the Bank's rights.

C. Cash Advances

a. The Bankers' Association was entrusted to notify all domestic credit card issuers the newly announced Explanatory Letter Jin-Kuan-Yin (4) No. 09740004411 by the Financial Supervisory Commission on October 2, 2008, which prohibits proactive marketing of the cash advance facility to credit card holders on the part of the credit card issuer. As such, the cash advances businesses and the associated fee income shrank by a substantial 44% and 51%, respectively.

b. Countermeasures

- (a) Readjust manpower allocation for telephone marketing.
- (b) Take "Installment Payment At Your Own Will" and "Easy Bill Payment" as our marketing emphases to increase fee income on installment payments.

c. Re-plan the existing small-sum credit loan businesses covering the credit survey operations, personnel management and credit collection processes to ensure effective use of the existing credit card clientele for the benefits of cultivating the credit loan market.

(4) The Effect of Technological and Industrial Changes on the Financial Position and Operation of the Bank and Response Actions thereof: None.

(5) The Effect of the Change in the Corporate Identity of the Bank and Response Actions thereof:

In the long term, the Bank maintains our management concepts of "Enthusiasm, Steadiness, Efficiency & Innovation" to cultivate the local market. Besides continuing our business expansion, we maintain a serious approach to fulfill our social responsibility in improving the social morality. Since April 1998, the Union Bank of Taiwan has offered continued sponsorship to the "Union Culture & Art Foundation" to carry out the mission of promoting art and cultural activities. We offer long-term support to local artists by hosting art and cultural competition. The optimal objective is to



continue the art and culture of Taiwan through promotion of the social artistic atmosphere and awaken the citizens' inner emotion and humanity.

During 2008, the Bank has injected more of the social wellness concept to our financial services in that we have launched a series of products and activities with "fortune" as the theme. The entire Union Bank team proactively extends care to our customers, deliver warmth and encourage customers and their families to join us to share their happiness and good fortune with the less privileged groups in the society. By doing the good deeds, we not only helped others but also saved for ourselves, our families and the society simple happiness.

In future, we will continue to pursue charitable activities to promote art and culture and inject more social care in financial services. Our efforts are devoted to enriching the spiritual life of people and creating a friendly society filled with warmth and human touch.

- (6) Expected Result and Possible Risks of Mergers and Acquisitions and Response Actions thereof: None.**
- (7) Expected Result for Establishing More Business Locations, Possible Risk and Response Actions Thereof: None.**
- (8) Risk in the Over Concentration of Business and Response Action thereof: None**
- (9) The Effect of Change in the Management of the Bank, Possible Risk and Response Action Thereof: None**
- (10) Legal Actions and Non-contentious Matters: None.**
- (11) Other Major Risks and Response Actions thereof: None.**

7. Contingency Plan

- (1) The Bank enacted the "Main Points for Urgent Response Action to Disasters of Union Bank of Taiwan" in accordance with the requirements defined by the competent authority, which contains (i) deliverables of urgent response action, (ii) expedient measures for customers' service, (iii) information system security management and (iv) simulation of the various crisis management modes and procedures, in order to well found the Bank's disaster rescue system and enhance the disaster prevention measures, and to execute the disaster funding effectively, stabilize the life of victims of the disaster and expeditiously recover social and economic order.
- (2) The Bank has established the crisis management taskforce and urgent contact and report mechanism to execute the various disaster rescue measures effectively. The various business units shall perform the disaster education training programs and drills in accordance with the Bank's "Instructions to Safety Protection" and "Safety Protection Drill Implementation Plan", and shall also check and maintain the safety facilities for more than twice per year.

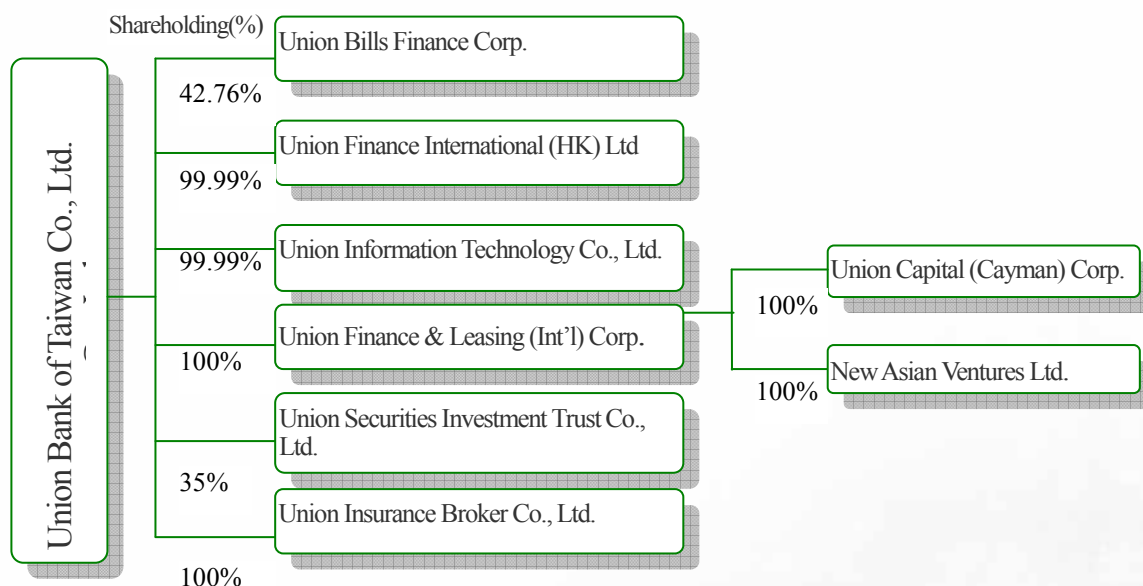
8. Other Important Matters: None





1. Information on Affiliated Enterprises

(1) Organization Chart



Unit: NT\$ in thousand

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business or Production Activities
Union Bills Finance Corp.	1995.07.19	15F, No. 109, Sec. 3, Minsheng E. Road, Taipei, Taiwan	2,960,000	1. Brokerage and proprietary trading of short-term bills dealing 2. Notes underwriting, certification, endorsement and guarantee 3. Brokerage and proprietary trading of government bonds dealing 4. Certification, underwriting, brokerage and proprietary trading of financial debentures 5. Proprietary trading of corporate bonds
Union Finance International (HK) Ltd	1996.04.23	Suites C & D, 8F, Entertainment Building, 30, Queen's Road Central, Hong Kong	106,589	Import and export financing
Union Information Technology Co., Ltd.	1998.08.20	10F, No. 109, Sec. 3, Minsheng E. Road, Taipei, Taiwan	50,000	Distribution of computer hardware and software, development of system programs, outsourcing of system construction, website design and e-commerce services
Union Finance & Leasing (Int'l) Corp.	1996.11.11	9F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	1,000,000	Installment purchases, leasing, auto loan and car rental services
Union Securities Investment Trust Co., Ltd.	1998.12.22	6F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	300,000	Securities investment trust
Union Insurance Broker Co., Ltd.	1997.08.04	3F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	5,000	Life insurance agency, Property insurance agency
Union Capital (Cayman) Corp.	1997.07.23	P.O.Box 1034, George Town, Grand Cayman, Cayman Islands, British West Indies.	1,644	Installment purchase and lease investment businesses
New Asian Ventures Ltd.	1997.10.27	Citco Building, Wickhams Cay, P.O. Box 662 Road Town, Tortola, British Virgin Islands.		1. Installment purchase and lease investment businesses



(2) Information on Directors, Supervisors and President of Affiliated Enterprises

Name of Enterprise	Title	Name of Representative	December 31, 2008	
			Shares	%
Union Bills Finance Corp.	Chairman	Union Bank of Taiwan (Representative: Kuo-Chang Lee)	126,576,000	42.76%
	Director	Union Bank of Taiwan Co., Ltd. (Representative: Jeff Lin)		
	Director	Union Bank of Taiwan (Representative: Yin-Bor Chan)		
	Director	Union Bank of Taiwan (Representative: Hao-Sen Lee)		
	Executive Director	EnTie Commercial Bank (Representative: Chih Ping Lee)	63,288,000	21.38%
	Director	EnTie Commercial Bank (Representative: Huai-Erng Chang)		
	Director	EnTie Commercial Bank (Representative: Yun-Tsong Chang)		
	Independent Director	Shih-Song Cheng	-	-
	Independent Director	Chien-Chen Tseng	-	-
	Resident Supervisor	Yu-Pang Co., Ltd. (Representative: Herman Tu)	12,404,448	4.19%
	Supervisor	Union Enterprise Construction Co., Ltd. (Representative: Zhen-Xong Jiang)	12,404,448	4.19%
	Supervisor	Union Enterprise Construction Co., Ltd. (Representative: Peter Chien)		
	President	Min-Hsing Ho	88,000	0.03%
Union Finance International (HK) Ltd	Director	Union Bank of Taiwan (Representative: Jeff Lin)	30,000,000	99.999994%
	Director	Union Bank of Taiwan (Representative: Patrick Jean)		
	Director	Union Bank of Taiwan (Representative: Roger Wang)	1	0.000003%
	Director	Shiang-Chang Lee	1	0.000003%
	Director & President	Amanda Lin	-	-
Union Information Technology Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Qin-Ming Huang)	4,999,614	99.99%
	Director	Union Bank of Taiwan (Representative: Hao-Sen Lee)		
	Director	Union Bank of Taiwan (Representative: Luke Yang)		
	Supervisor	Union Bank of Taiwan (Representative: Tiffany Yu)		
	President	Qin-Ming Huang	-	-
Union Finance & Leasing (International) Corp.	Chairman	Union Bank of Taiwan (Representative: Cheng-Juh Hsieh)	100,000,000	100.00%
	Director	Union Bank of Taiwan (Representative: Hao-Sen Lee)		
	Director	Union Bank of Taiwan (Representative: Herman Tu)		
	Supervisor	Union Bank of Taiwan (Representative: Yin-Bor Chan)		
	President	Cheng-Juh Hsieh	-	-
Union Securities Investment Trust Co., Ltd.	Chairman	Kun-Che Investment Co., Ltd. (Representative: Cheng-Juh Hsieh)	5,399,667	17.99%
	Director	Kun-Che Investment Co., Ltd. (Representative: Wen-Min Lee)		
	Supervisor	Kun-Che Investment Co., Ltd. (Representative: Chaio-Chuan Tsai)		
	Director	Goldsun Computer Communication Co., Ltd. (Representative: Kuo-Hwa Lee)	500,000	1.67%
	President	Yi-Jun Lin	-	-
Union Insurance Broker Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Chun-Hsien Chang)	500,000	100.00%
	Director	Union Bank of Taiwan (Representative: Tiffany Yu)		
	Director	Union Bank of Taiwan (Representative: Sophie Hsu)		
	Supervisor	Union Bank of Taiwan Co., Ltd. (Representative: Kuo-Shian Shia)		
	President	Chun-Hsien Chang	-	-
Union Capital (Cayman) Corp	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Shiang-Chang Lee)	50,000	100.00%
	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)		
New Asian Ventures Ltd.	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)	1	100.00%



(3) General Information of Affiliated Enterprises

Unit: NT\$ in thousand except Earnings Per Share (NT\$)

Name of Enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit	Net Income (Loss) After Tax	Earnings Per Share After-tax (\$)
Union Bills Finance Corp.	2,960,000	20,645,747	17,949,947	2,695,800	622,844	-57,376	-373,877	-1.26
Union Finance International (H.K.) Ltd. ^{Note1}	106,589	274,436	192,435	82,001	26,758	16,139	-3,532	-0.12
Union Information Technology Co., Ltd.	50,000	124,005	54,522	69,483	172,651	-525	-485	-0.10
Union Finance & Leasing (International) Corp.	1,000,000	3,560,434	2,525,158	1,035,276	654,222	-12,723	13,297	0.13
Union Securities Investment Trust Co., Ltd.	300,000	139,725	23,446	116,279	52,727	-16,723	-197,108	-6.57
Union Insurance Broker Co., Ltd.	5,000	47,794	17,235	30,559	221,705	13,884	10,855	21.71
Union Capital (Cayman) Corp. ^{Note2}	1,639	508,832	23	508,809	0	-116	16,082	321.64
New Asian Ventures Ltd. ^{Note2}	1	108,973	22	108,951	0	-98	1,758	1,757,558

Note 1 : HKD:TWD exchange rate as at Dec 31, 2008 was 4.2288; average exchange rate for year 2008 was 4.04078

Note 2 : USD:TWD exchange rate as at Dec 31, 2008 was 32.774; average exchange rate for year 2008 was 31.4865

(4) Relationships between the business activities conducted by affiliated enterprises: None.

(5) The Bank and its affiliated enterprises were not in any financial difficulty in the past year and current year up to the printing date of the annual report.

(6) Consolidated financial statements of affiliated enterprises – see attachment.

2. Private placement of marketable securities and financial debentures in the past year and current year up to the printing date of the annual report: None.

3. Shares of the Bank held or disposed of by subsidiaries in the past year and current year up to the printing date of the annual report: None.

4. Other necessary supplements: None.

5. Major events with material impact on shareholders' rights or share price as defined in Article 36.2.2 of the Securities Exchange Act occurred during 2006 and the current year up to the printing date of the annual: None.

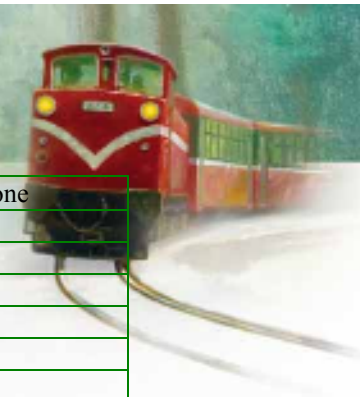
Bank Directory



Bank Directory

Branch Name	Address	Telephone
Head Office	3F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
International Banking Dept	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Trust Department	3F, No.137, Sec. 2, Nanjing E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2507-4066
Credit Card Group	5F, No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taipei City 105, Taiwan (R.O.C.)	(02)2545-5168
Offshore Banking Branch	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Business Department	No.105, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02)2556-8500
Taipei Branch	1F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Changchun Branch	No.328, Changchun Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2545-5588
Nanking East Road Branch	No.137, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2515-1333
East Taipei Branch	No.217, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2753-0900
Chunghsiao Branch	2F., No.5, Lane 223, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2773-3456
Jenai Branch	No.401, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2781-3366
Tungmen Branch	No.101, Sec. 2, Sinyi Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2358-2345
Hoping Branch	No.68-2, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2735-2828
Chungshan Mini Branch	No.83, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2571-7890
Kungkuan Branch	No.272, Sec. 3, Roosevelt Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2369-2678
Sungchiang Branch	No.228, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2561-6601
Breeze Center Mini Branch	2F., No.39, Sec. 1, Fusing S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)8772-2858
Tunhwa Branch	No.209-1, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)8773-3588
Taan Branch	No.14, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2704-9588
Tonghwa Mini Branch	No.74, Tonghua St., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2739-5888
Yongchun Branch	No.453, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2748-0188
Yungchi Branch	No.306, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2748-0329
Neihu branch	No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2658-6121
Hsihu Branch	No.88, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)8797-1537
Tachih Branch	No.649, Mingshuei Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2532-3836
Shihlung Branch	No.1-1, Lane 91, Shihdong Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2875-6161
Wenlin Mini Branch	No.758, Wunlin Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2835-1818
Beitou Branch	No.68, Sec. 1, Jhongyang N. Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	(02)2896-6333
Panchiao Branch	No.226, Mincyuan Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02)2965-6600
Houpu Branch	No.77, Chongcing Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02)2964-2777
Sanchung Branch	No.10, Sec. 3, Chongsin Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02)2977-7666
North Sanchung Branch	No.245, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02)2982-6226
Tenshin Branch	No.16, Sec. 3, Jhongsiao Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02)8982-1155

Bank Directory



Branch Name	Address	Telephone
Luchou Branch	No.80, Jhongheng Rd., Lujhou City, Taipei County 247, Taiwan (R.O.C.)	(02)2848-5577
Chungho Branch	No.150, Jian 1st Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.)	(02)8226-5168
North Chungho Mini Branch	No.122, Sec. 3, Jhongshan Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.)	(02)2221-9698
Shuanho Branch	No.222, Jhongheng Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02)2945-9898
Yunghe Branch	No.137, Sec. 2, Yonghe Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02)8660-0808
Hsintien Branch	No.100, Mincyuan Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02)2219-9989
Ankang Branch	No.161, Sec. 2, Ankang Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02)2211-9088
Hsinchuang Branch	No.601, Sihyuan Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02)8522-7799
Fuguo Branch	No.108, Fuguo Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02)2205-2299
Chungkung Mini Branch	No.308, Jhonggang Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02)2276-9678
Linkou Branch	No.468, Jhongsiao Rd., Linkou Township, Taipei County 244, Taiwan (R.O.C.)	(02)2600-6969
Shulin Branch	No.275, Jhonghua Rd., Shulin City, Taipei County 238, Taiwan (R.O.C.)	(02)8685-8939
Hsichih Branch	No.159, Sec. 1, Sintai 5th Rd., Sijhih City, Taipei County 221, Taiwan (R.O.C.)	(02)8642-5289
Taoyuan Branch	No.332, Sianfu Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)339-5300
North Taoyuan Branch	No.191, Yong-an Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)339-6262
Taoying Branch	No.343, Taoying Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)377-9797
Chungli Branch	No.62, Sec. 1, Jhongyang W. Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)426-5111
North Chungli Branch	No.222, Yuanhua Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)426-1133
Neili Branch	No. 258, Sec. 1, Jhonghua Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)435-1288
Chenshin Branch	No.95, Sec. 2, Longgang Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)428-0808
Nankan Branch	No.137, Jhongheng Rd., Lujhu Township, Taoyuan County 338, Taiwan (R.O.C.)	(03)322-9699
Dajhu Branch	No.43, Dasin Rd., Lujhu Township, Taoyuan County 338, Taiwan (R.O.C.)	(03)313-4688
Hueilong Branch	No.253, Sec. 1, Wanshou Rd., Gueishan Township, Taoyuan County 333, Taiwan (R.O.C.)	(02)8209-0808
Gueishan Branch	No.688, Sec. 2, Wanshou Rd., Gueishan Township, Taoyuan County 333, Taiwan (R.O.C.)	(03)319-2323
Lungtan Branch	No.245, Jhongheng Rd., Longtan Township, Taoyuan County 325, Taiwan (R.O.C.)	(03)470-9188
Tayuan Branch	No.56, Jhongheng E. Rd., Dayuan Township, Taoyuan County 337, Taiwan (R.O.C.)	(03)385-0505
Hsinchu Branch	No.107, Jhongheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)524-9966
Taichung Branch	No.9-5, Sec.2, Chungkang Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2328-5666
North Taichung Branch	No.13, Sec. 3, Wunsin Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2311-8555
Wenhsin Branch	No.208-1, Sec. 4, Wunsin Rd., North District, Taichung City 404, Taiwan (R.O.C.)	(04)2298-0808
Beitun Branch	No.701, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04)2245-2636
Minchuan Branch	No.135, Mincyuan Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04)2220-6789
Hsitun Branch	No.277, Sec. 2, Situn Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2702-2152
Singchung Branch	No.406, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan (R.O.C.)	(04)2261-4040
Fongyuan Branch	No.102, Fucian St., Fongyuan City, Taichung County 420, Taiwan (R.O.C.)	(04)2522-8800
Yuanlin Branch	No.785, Sec. 1, Jhongshan Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04)834-7666
South Yuanlin Branch	No.37, Sanmin St., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04)832-6388
Chiayi Branch	No.285, Jhongshan Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)228-5908

Bank Directory

Branch Name	Address	Telephone
East Chiayi Branch	No.372-1, Gongming Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)229-3922
Tainan Branch	No.271, Sec. 4, Simen Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)251-3377
Fucheng Branch	No.92, Jhongheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	(06)229-0866
Fuchiang Branch	No.15, Sec. 3, Dongmen Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)260-1268
Kaiyuan Branch	No.229, Kaiyuan Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)235-4445
South Tainan Branch	No.379, Sec. 1, Jinhua Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06)265-5663
Kaohsiung Branch	No.204, Guanghua 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)226-5353
Lingya Branch	No.30, Sihwei 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)338-6033
Sanmin Branch	No.73, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)389-0258
Chiuju Branch	No.495, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)311-8871
North Kaohsiung Branch	No.548, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)322-3699
Fengshan Branch	No.224, Kaisyuan Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07)763-8185
Wuchia Branch	No.173, Nanhua Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07)721-5866
Pingtung Branch	No.172, Minzu Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08)732-6777
Ho Chi Minh Representative Office	No.8,Nguyen Hue St., Dist.1, Ho Chi Minh City, Vietnam	(848)3825-0407
Hong Kong Representative Office	8F, Unit C-D, Entertainment Building, No.30,Queen's Road Central, Hong Kong	(852)2521-1678

Union Bank of Taiwan

**Financial Statements for the
Years Ended December 31, 2008 and 2007 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, 2008 and 2007, 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, 2008 and 2007 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 0.36% (NT\$1,300,876 thousand) and 0.44% (NT\$1,582,353 thousand) of the Bank's total assets as of December 31, 2008 and 2007, respectively. From these equity-method investments, there were a loss that was 8.33% (NT\$149,119 thousand) and an income that was 1.16% (NT\$74,734 thousand) of the pretax losses in 2008 and 2007, respectively. 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 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 decreases of NT\$1,587,356 thousand and NT\$1,587,348 thousand in pretax losses in 2008 and 2007, respectively. Also, the balances of the other assets and unappropriated earnings as of December 31, 2008 and 2007 would have decreased by NT\$4,140,302 thousand and NT\$5,727,630 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, 2008 and 2007, 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, 2008 and 2007, on which we have issued a qualified opinion in our report dated March 24, 2009.

March 24, 2009

Notice to Readers

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, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2008	2007	% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY	2007	2006	% Increase (Decrease)
	Amount	Amount			Amount	Amount	
CASH AND CASH EQUIVALENTS (Note 4)	\$ 6,345,996	\$ 5,501,501	15	LIABILITIES			
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 26)	42,780,997	22,551,422	90	Call loans and due to banks (Notes 17 and 26)	\$ 20,074,203	\$ 27,086,819	(26)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 3, 6, 26 and 30)	7,675,019	7,746,462	(1)	Financial liabilities at fair value through profit or loss (Notes 2 and 6)	212,904	61,326	247
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 26 and 28)	6,555,286	5,863,732	12	Securities sold under repurchase agreements (Notes 2, 26 and 28)	27,843,332	32,865,259	(15)
RECEIVABLES, NET (Notes 2, 7 and 26)	23,513,603	28,967,953	(19)	Payables (Notes 18 and 26)	4,981,318	4,776,100	4
DISCOUNTS AND LOANS, NET (Notes 2, 8 and 26)	179,918,155	205,523,586	(12)	Deposits and remittances (Notes 19 and 26)	277,751,334	263,954,435	5
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 9, 26 and 30)	6,279,718	3,439,568	83	Bank debentures (Notes 2, 20 and 26)	9,044,300	10,526,400	(14)
HELD-TO-MATURITY INVESTMENTS (Notes 2 and 10)	36,318,287	48,559,541	(25)	Other financial liabilities (Note 26)	220,896	254,580	(13)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 11)	2,479,374	2,946,398	(16)	Liability component of preferred stocks (Note 21)	-	327,200	(100)
OTHER FINANCIAL ASSETS, NET (Notes 2, 12, 13, 26 and 30)				Other liabilities (Notes 2 and 22)	473,441	578,133	(18)
Unquoted equity instruments	1,283,956	1,092,720	18	Total liabilities	340,601,728	340,430,252	
No active market debt instruments	20,522,414	166,636	12,216	STOCKHOLDERS' EQUITY			
Others (Note 27)	2,825,795	3,498,355	(19)	Capital stock			
Other financial assets, net	24,632,165	4,757,711	418	Common stock - NT\$10.00 par value; authorized - 2,488,926 thousand shares; issued and outstanding - 1,918,824 thousand common shares	19,188,244	19,188,244	-
PROPERTY AND EQUIPMENT (Notes 2, 14, 26 and 28)				Preferred stock	4,000,000	3,672,800	9
Cost				Total capital stock	23,188,244	22,861,044	1
Land	3,619,738	3,491,778	4	Capital surplus			
Buildings and improvements	4,852,345	4,829,515	-	Donated capital	1,398	1,398	-
Machinery and equipment	1,452,436	1,487,162	(2)	Treasury stock transactions	32,413	32,413	-
Transportation equipment	257,446	260,784	(1)	Total capital surplus	33,811	33,811	
Leasehold improvements	274,114	276,280	(1)	Retained earnings (accumulated deficit)			
Accumulated depreciation	10,456,079	10,345,519	1	Legal reserve	107,812	107,812	-
Prepayments for land and buildings	2,002,185	1,727,461	16	Special reserve	240,655	240,655	-
Net property and equipment	8,453,894	8,618,058	(2)	Accumulated deficit	(6,256,003)	(5,046,039)	
GOODWILL (Notes 2 and 16)	2,507,395	2,574,217	(3)	Total accumulated deficit	(5,907,536)	(4,697,572)	
OTHER ASSETS (Notes 2, 15 and 24)	10,173,727	11,478,015	(11)	Other equity			
TOTAL	\$ 357,690,949	\$ 358,528,164	-	Unrealized loss on financial assets	(244,849)	(124,678)	96
				Net loss not recognized as pension cost	(30,292)	(13,936)	117
				Cumulative translation adjustments	49,843	39,243	27
				Total other equity	(225,298)	(99,371)	127
				Total stockholders' equity	17,089,221	18,097,912	(6)
				CONTINGENCIES AND COMMITMENTS (Notes 2 and 28)			-
				TOTAL	\$ 357,690,949	\$ 358,528,164	

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

(With Deloitte & Touche audit report dated March 24, 2009)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	<u>2008</u>	<u>2007</u>	
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 26)	\$14,796,137	\$14,672,037	1
INTEREST EXPENSE (Note 26)	<u>7,502,445</u>	<u>7,415,733</u>	1
NET INTEREST	<u>7,293,692</u>	<u>7,256,304</u>	1
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues (Notes 2 and 26)	1,887,649	2,300,371	(18)
Commissions and fee expenses (Note 2)	<u>559,079</u>	<u>642,801</u>	(13)
Net commissions and fees	1,328,570	1,657,570	(20)
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 6)	(190,886)	587,887	(132)
Realized loss on available-for-sale financial assets (Note 30)	(362,590)	(14,982)	2,320
Income (loss) from equity-method investments, net (Notes 2 and 11)	(269,209)	169,241	(259)
Foreign exchange gain (loss), net (Note 2)	129,059	(216,879)	160
Impairment losses, net (Notes 2, 6, 12 and 16)	(1,084,101)	(183,283)	491
Amortization and recognition of loss on disposal of nonperforming loans (Note 15)	(1,587,356)	(1,809,289)	(12)
Gain on unquoted equity investments (Note 2)	28,529	79,991	(64)
Securities brokerage fee revenues, net (Note 26)	98,126	153,653	(36)
Gain on disposal of collaterals assumed	71,382	78,646	(9)
The incomes of credit organization feedbacks (Note 12)	722,568	-	-
Other non-interest net revenues (Note 26)	<u>87,478</u>	<u>179,958</u>	(51)
Total net revenues	<u>6,265,262</u>	<u>7,938,817</u>	(21)
PROVISION (Note 8)	<u>2,692,090</u>	<u>8,404,095</u>	(68)
OPERATING EXPENSES			
Personnel expenses (Notes 2 and 23)	2,226,992	2,573,336	(13)
Depreciation and amortization (Note 23)	489,110	477,853	2
Others (Note 26)	<u>2,646,713</u>	<u>2,942,273</u>	(10)
Total operating expenses	<u>5,362,815</u>	<u>5,993,462</u>	(11)
LOSS BEFORE INCOME TAX	(1,789,643)	(6,458,740)	(72)
INCOME TAX BENEFIT (Notes 2 and 24)	<u>579,679</u>	<u>1,516,382</u>	(62)
NET LOSS	<u>\$(1,209,964)</u>	<u>\$(4,942,358)</u>	(76)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	<u>2008</u>		<u>2007</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
LOSS PER SHARE (Note 25)				
Basic	<u>\$(0.93)</u>	<u>\$(0.63)</u>	<u>\$(3.46)</u>	<u>\$(2.65)</u>

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

(With Deloitte & Touche audit report dated March 24, 2009)

(Concluded)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(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)				Retained Earnings (Accumulated Deficit) (Notes 2 and 21)				Other Equity			Total Stockholders' Equity	
	Shares (in Thousands)	Amount	Shares (in Thousands)	Amount	Issue of Shares in Excess of Par	Donated Capital	Treasury Stock Transaction	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total	Unrealized Loss on Financial Assets (Notes 2, 3 and 30)	Cumulative Translation Adjustment (Note 2)	Net Loss not Recognized as Pension Cost (Note 2)		Total
BALANCE, JANUARY 1, 2007	1,827,798	\$18,277,979	-	\$ -	\$26,485	\$1,398	\$32,413	\$60,296	\$ 16,067	\$ 26,584	\$ 305,814	\$ 348,465	\$ (39,132)	\$43,820	\$ (8,005)	\$ (3,317)	\$18,683,423
Appropriation of the 2006 earnings	-	-	-	-	-	-	-	-	91,745	-	(91,745)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	(214,071)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	214,071	-	-	-	-	-	-	-
Net loss in 2007	-	-	-	-	-	-	-	-	-	-	(4,942,358)	(4,942,358)	-	-	-	-	(4,942,358)
Convertible bank debentures converted to common stock	91,026	910,265	-	-	(26,485)	-	-	(26,485)	-	-	(103,679)	(103,679)	-	-	-	-	780,101
Issuance of preferred stock for cash	-	-	400,000	3,672,800	-	-	-	-	-	-	-	-	-	-	-	-	3,672,800
Unrealized loss on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(50,305)	-	-	(50,305)	(50,305)
Recognition of unrealized loss on financial assets - equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	(35,241)	-	-	(35,241)	(35,241)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,931)	(5,931)	(5,931)
Cumulative translation adjustment on equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,577)	-	(4,577)	(4,577)
BALANCE, DECEMBER 31, 2007	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)
Unrealized loss on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(56,629)	-	-	(56,629)	(56,629)
Recognition of unrealized loss on financial assets - equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	(63,542)	-	-	(63,542)	(63,542)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,356)	(16,356)	(16,356)
Reclassification of preferred stock	-	-	-	327,200	-	-	-	-	-	-	-	-	-	-	-	-	327,200
Cumulative translation adjustment on equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	-	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

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

(With Deloitte & Touche audit report dated March 24, 2009)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(1,209,964)	\$(4,942,358)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	489,110	477,853
Provision for credit and other losses	2,694,587	8,408,436
Amortization of discount on available-for-sale financial assets	44,393	-
Amortization of premium on held-to-maturity investments	(1,745)	-
Amortization of premium on no-active market debt instruments	(8,303)	-
Loss (gain) on financial assets and liabilities at fair value through profit or loss	(344,306)	334,967
Realized loss on sale of available-for-sale financial assets	362,590	14,982
(Income) loss from equity-method investments, net	269,209	(169,241)
Cash dividends received on equity-method investments	144,873	74,234
Liquidation loss on Union Securities Investment Consulting Company	-	1,966
Impairment losses on assets, net	1,084,101	183,283
Amortization and recognition of loss from disposal of nonperforming loans	1,587,356	1,809,289
Gain on disposal of collaterals assumed	(71,382)	(78,646)
Loss (gain) on disposal of property and equipment, net	739	(6,198)
Loss from the obsolescence of property and equipment	2,507	6,462
Deferred income taxes	(597,326)	(1,533,866)
Increase (decrease) in accrued pension cost	(16)	13,996
Decrease in held-for-trading financial assets	(3,955,289)	(3,417,566)
Decrease (increase) in held for trading financial liabilities	(433)	26,869
Decrease in receivables	4,188,334	2,530,598
Increase (decrease) in payables	<u>205,218</u>	<u>(2,335,354)</u>
Net cash provided by operating activities	<u>4,884,253</u>	<u>1,399,706</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from the Central Bank and other banks	(20,229,575)	9,996,180
Decrease (increase) in financial assets designated at fair value through profit or loss	(129,806)	209,724
Increase in securities purchased under resell agreements	(691,554)	(2,043,106)
Decrease (increase) in discounts and loans	24,034,156	(3,416,183)
Proceeds of the disposal of available-for-sale financial assets	4,609,606	3,036,781
Received principal on available-for-sale financial assets	240,000	-
Increase in available-for-sale financial assets	(5,759,150)	(543,704)

Received principal on held-to-maturity investments	12,695,210	5,798,249
Increase in held-to-maturity investments	(106,811)	(25,008,397)
Increase in equity investments - equity method	-	(87,500)
Proceeds of the capital reduction and liquidation of investee	9,342	31,683
Acquisition of unquoted equity instruments	(332,088)	-
Received principal on no-active market debt instruments	\$ 2,639,711	\$ -
Acquisition of no-active market debt instruments	(21,766,641)	-
Decrease in other financial assets	402,863	2,163,012
Proceeds of the disposal of nonperforming loans	-	90,360
Acquisition of property and equipment	(306,019)	(417,740)
Proceeds of the disposal of property and equipment	41,786	64,804
Proceeds of the disposal of collaterals assumed	493,603	569,795
Decrease (increase) in other assets	<u>(7,434)</u>	<u>1,415,374</u>
Net cash used in investing activities	<u>(4,162,801)</u>	<u>(8,140,668)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in call loans and due to banks	(7,012,616)	(4,730,191)
Increase (decrease) in securities sold under repurchase agreements	(5,021,927)	20,960,768
Increase (decrease) in deposits and remittances	13,796,899	(11,793,474)
Decrease in other financial liabilities	(33,684)	(64,017)
Increase (decrease) in other liabilities	(123,529)	65,994
Decrease in bank debentures	(1,482,100)	(3,777,200)
Issuance of preferred stock for cash	<u>-</u>	<u>4,000,000</u>
Net cash provided by financing activities	<u>123,043</u>	<u>4,661,880</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	844,495	(2,079,082)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,501,501</u>	<u>7,580,583</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,345,996</u>	<u>\$ 5,501,501</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 7,530,016</u>	<u>\$ 6,921,760</u>
Income tax paid	<u>\$ 87,829</u>	<u>\$ 81,331</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Convertible bank debentures converted to common stock	<u>\$ -</u>	<u>\$ 780,000</u>

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

(With Deloitte & Touche audit report dated March 24, 2009)

(Concluded)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2008, 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 81 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 (the “TSE”).

As of December 31, 2008 and 2007, the Bank had 3,081 and 3,388 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 non-current. 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.

The Bank’s 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 value are determined as follows: (a) listed stocks and GreTai Securities Market (the “GTSM”) stocks - closing prices as of the balance sheet date; (b) beneficiary certificates (open-end fund) - net asset values as of the balance sheet dates; (c) bonds - period-end reference prices published by the GTSM or Bloomberg; and (d) for the financial instruments without active markets, fair value is 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, cancelled 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 issue of 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. 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 carried at fair value. Unrealized gains or losses on available-for-sale financial assets are reported in equity attribute to the Bank's stockholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank's stockholders is transferred to net profit and loss for the period. The Bank uses trade date accounting when recording available-for-sale portfolio transactions except for debt investments recorded by settlement date accounting.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to 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 subsequently 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" (the "Regulations") issued by the Ministry of Finance (MOF), 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, and 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 investments are carried at amortized cost, which are valued by interest method, otherwise use the straight line method if there is no significant difference. At initial recognition, the costs of the financial assets are valued at fair value of the financial assets together with acquire costs. The net profit and loss of the held-to-maturity investments for the period are reported in to income statement when on disposal, impairment or amortization. The Bank uses settlement date accounting when recording transaction.

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.

Equity Investments - Equity Method

Equity investments are accounted for by the equity method if the Bank has significant influence on the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of investees. Cash dividends received are considered as a deduction of the investments. The impairment review on equity investment is made on balance sheet date, and the collectibility of the assets or cash-generating units are assessed, if the equity investment deemed impaired. Any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Since January 1, 2006, goodwill is not amortized but test annually for impairment, or more frequently if events or changes in circumstance indicates goodwill impairment.

Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Bank's percentage of ownership in the investee.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Major renewals and improvements are capitalized; repairs and maintenance are expensed as incurred.

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.

Depreciation is calculated by the straight-line method based on service lives estimated 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. For assets still in use beyond their original estimated service lives, further depreciation is calculated over newly estimated useful lives.

Other Financial Assets

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measure, are measured at cost. If there is objective evidence that a financial asset is impaired, an impairment loss is recognized and reversal of impairment loss is prohibited.

Non-active market debt instruments are those which do not have a quoted market price in an active market, and whose cash flows are fixed or determinable. Non-active market debt instruments are carried at amortized cost. The accounting treatment for such bond investments is similar to that for held-to-maturity financial assets, except for the absence of restriction on the timing of their disposal.

Goodwill

Goodwill arising on acquisition of other company was previously amortized by the straight-line method over 5 years. Effective January 1, 2006, based on a newly released SFAS No. 37, 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. However, the difference between the carry amount and sales price of the nonperforming loans which were disposed 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.

Nonfinancial Asset Impairment

Statement of Financial Accounting Standards No. 35 - "Impairment of Assets" requires the impairment review on property and equipment, goodwill, and collaterals assumed (included in other assets) to be made on each balance sheet date. If assets or cash-generating units (CGUs) are deemed impaired, then the Bank must calculate their recoverable amounts. However, goodwill is tested annually for impairment, or more frequently if events or changes in circumstance indicate

goodwill impairment, except for the first year of consolidation at which the goodwill cannot be allocated to the CGUs until the next year. An impairment loss should be recognized on the balance sheet date if the recoverable amount of the assets or the CGU is below the carrying amount, and this impairment loss either is charged to accumulated impairment or is used to reduce the carrying amount of the assets or CGUs directly. After the recognition of an impairment loss, the depreciation (amortization) should be adjusted in future periods by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

In impairment testing of CGUs acquired through a combination, goodwill is allocated to each of the Bank's CGUs expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce first the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The reversal of any recognized impairment loss on goodwill is disallowed.

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 - "Disclosure and Presentation of Financial Instruments", transaction costs of bonds issued on or after January 1, 2006 are allocated in proportion to the liability and equity components of the bonds.

Accounting Treatment of Foreign-currency Translation

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.

Equity investments - equity method in foreign currencies are recorded at the rate of exchange on the date of investment, and the proportionate share in the net income or loss are recorded at the average rate in the year. At the balance sheet date, equity investments - equity method in foreign currencies are translated into New Taiwan dollars equivalents using the closing exchange rate, and the adjusting amount is recognized as cumulative translation adjustment, which is the adjusting item of stockholders' equity.

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.

Adjustments of prior years' tax liabilities are included in the current year's tax expense.

Tax credits for certain research and development and personnel trainings expenditure are recognized as reduction of current income tax.

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

Income tax (10%) on unappropriated earnings after January 1, 1998 is recorded as income tax in the year when the stockholders resolve the appropriation of the earnings.

Pension

Pension expense under defined benefit pension plan is determined on the basis of actuarial calculations. Pension under defined contribution pension plan is expensed during the period when the employees rendered their services.

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 of the 2007 financial statements have been reclassified to conform to the presentation of the 2008 financial statements.

3. ACCOUNTING CHANGES

In March 2007, the ARDF issued Interpretation 2007-052 that 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. Due to the deficit of retained earnings, the adoption of this interpretation did not affect the net loss for the year ended December 31, 2008.

On July 1, 2008, the Bank adopted the newly amended 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 regarding reclassifications of financial instruments.

On January 1, 2007, the Bank adopted the newly released SFAS No. 37, "Accounting for Intangible Assets" and reassessed the useful lives of and the amortization method for its recognized intangible assets as of the same date. This accounting change had no significant effect on the 2007 financial statements.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 3,781,165	\$ 3,502,810
Checks for clearing	1,700,052	1,024,239
Due from banks	864,779	974,452
	<u>\$ 6,345,996</u>	<u>\$ 5,501,501</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Due from the Central Bank		
Deposit reserve - checking account	\$ 5,993,454	\$ 1,882,910
Required deposit reserve	6,839,887	6,620,234
Deposits reserve - foreign-currency deposits	32,774	958,278
Deposit account in Central Bank	<u>29,800,000</u>	<u>13,090,000</u>
	42,666,115	22,551,422
Call loans to banks and bank's overdrafts	114,882	-
	<u>\$ 42,780,997</u>	<u>\$ 22,551,422</u>

Under a directive issued by the Central Bank of the ROC, 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

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
<u>Held for trading financial assets</u>		
Commercial paper	\$ 4,568,779	\$ 945,889
Government bonds	2,183,886	689,886
Corporate bonds	52,672	147,376
Beneficiary certificates	-	2,593,386
Asset-backed commercial paper	-	2,516,942
Listed and GTSM stock	-	489,927
Forward exchange contracts	539,949	152,661
Interest exchange contracts	44,539	10,128
Currency swap contracts	5,610	48,947
Option contracts	352	1,894
	<u>7,395,787</u>	<u>7,597,036</u>
<u>Financial assets designated at fair value through profit or loss</u>		

Corporate bonds	<u>279,232</u>	<u>149,426</u>
	<u>\$ 7,675,019</u>	<u>\$ 7,746,462</u>
<u>Held for trading financial liabilities</u>		
Forward exchange contracts	\$ 93,132	\$ 50,008
Interest exchange contracts	87,683	8,412
Currency swap contracts	31,737	1,010
Option contracts	<u>352</u>	<u>1,896</u>
	<u>\$ 212,904</u>	<u>\$ 61,326</u>

In 2008, the world's financial markets deteriorated, resulting in the drop in demand for asset-backed commercial paper, which amounted to \$2,246,258 thousand. Thus, the Bank reclassified this financial asset from held for trading to a no-active market debt instrument and recognized a related impairment loss of \$962,389 thousand based on the estimated recoverable cash flows.

Because the Bank no longer intended to sell these instruments within the short term as a result of the economic instability and deterioration of the world's financial markets in 2008, the listed and GTSM stock and beneficiary certificates, originally recorded as financial assets held for trading, was reclassified to available-for-sale financial assets. To effect this reclassification, the Bank retroactively applied on July 1, 2008 the newly amended Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement."

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. The Bank's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

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

	December 31	
	2008	2007
Currency swap contracts	\$ 7,534,354	\$ 9,914,372
Forward exchange contracts	11,864,111	4,687,031
Interest exchange contracts	4,900,000	1,900,000
Options contracts		
Buy	397,462	279,362
Sell	397,462	279,362

The gains or loss on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
Net gain on financial assets at fair value through profit or loss	\$ 3,024	\$ 583,166
Net gain (loss) on financial liabilities at fair value through profit or loss	<u>(193,910)</u>	<u>4,721</u>

Gain (loss), net	<u>\$ (190,886)</u>	<u>\$ 587,887</u>
Realized gain (loss)	\$ (535,192)	\$ 922,854
Unrealized gain (loss)	<u>344,306</u>	<u>(334,967)</u>
Gain (loss), net	<u>\$ (190,886)</u>	<u>\$ 587,887</u>

As of December 31, 2008 and 2007, the Bank's financial instruments at fair value through profit or loss amounting to \$1,232,260 thousand and \$369,483 thousand, respectively, had been sold under repurchase agreements.

7. RECEIVABLES, NET

	<u>December 31</u>	
	2008	2007
Accounts receivable	\$ 21,313,595	\$ 27,171,938
Interest receivable	1,086,825	1,324,407
Receivable on disposal of property and equipment	644,029	1,399,597
Inter-bank clearing fund receivable	306,947	300,131
Acceptances receivable	217,285	311,543
Tax refundable	213,072	194,960
Accrued revenue	5,843	7,740
Other	<u>313,092</u>	<u>425,945</u>
	24,100,688	31,136,261
Less: Allowance for credit losses	<u>587,085</u>	<u>2,168,308</u>
	<u>\$ 23,513,603</u>	<u>\$ 28,967,953</u>

8. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	2008	2007
Discounts and overdraft	\$ 530,559	\$ 1,189,022
Accounts receivable - financing	337,953	291,817
Loans		
Short-term - unsecured	9,026,721	12,565,751
- secured	22,673,668	22,914,269
Medium-term - unsecured	15,913,664	20,204,821
- secured	12,320,730	16,625,830
Long-term - unsecured	12,354,824	15,145,327
- secured	105,016,847	114,271,693
Import and export negotiations	78,925	114,832
Overdue loans	<u>4,530,159</u>	<u>4,373,509</u>
	182,784,050	207,696,871
Less: Allowance for credit losses	<u>2,865,895</u>	<u>2,173,285</u>
	<u>\$ 179,918,155</u>	<u>\$ 205,523,586</u>

As of December 31, 2008 and 2007, the balances of nonaccrual loans were \$4,530,159 thousand and \$4,373,509 thousand, respectively. The unrecognized interest revenues on nonperforming loans amounted to \$191,782 thousand in 2008 and \$201,020 thousand in 2007, respectively.

In 2008 and 2007, all credits written off had been subjected to legal proceedings before being written off.

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

	2008		
	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 3,	\$ 1,	\$ 4,
Provision	2,692,090	(1,107,093)	2,692,090
Write-off	(4,145,290)	-	(4,252,383)
Recovery of written-off credits	671,056	-	671,056
Classification	1,000,000	(1,000,000)	-
Result from change of foreign exchange rate	624	-	624
Balance, end of year	\$ 3,	\$ 7,	\$ 3,
	2007		
	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 2,	\$ 1,	\$ 2,
Provision	7,341,976	1,062,119	8,404,095
Write-off	(7,356,240)	-	(7,356,240)
Recovery of written-off credits	538,271	-	538,271
Result from change of foreign exchange rate	2,637	-	2,637
Balance, end of year	\$ 3,	\$ 1,	\$ 4,

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2008	2007
Debt investments - government bonds	\$ 3,610,746	\$ 2,606,978
Debt investments - corporate bonds	1,257,844	330,012
Mutual funds	891,028	-
Debt investments - bank debentures	401,523	489,971
Domestic quoted stock	71,277	-
Beneficiary certificates of securitization	47,300	12,607
	\$ 6,279,718	\$ 3,439,568

The available-for-sale financial assets amounting to \$2,293,065 thousand and \$3,118,760 thousand as of December 31, 2008 and 2007, respectively, had been sold under repurchase agreements.

10. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2008	2007
Asset based securities	\$ 35,226,109	\$ 47,898,804
Government bonds	1,092,178	650,699
Bank debentures	-	10,038
	\$ 36,318,287	\$ 48,559,541

The held-to-maturity investments amounting to \$21,049,127 thousand and \$41,220,855 thousand as of December 31, 2008 and 2007, respectively, had been sold under repurchase agreements.

11. EQUITY INVESTMENTS - EQUITY METHOD

	December 31			
	2008		2007	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
Union Bills Finance Corporation	\$ 1,152,724	42.76	\$ 1,317,722	42.76
Union Finance and Leasing International Corporation	1,035,276	100.00	1,047,928	100.00
Union Finance International (H.K.) Limited	81,992	99.99	132,396	99.99
Union Information Technology Corporation	72,412	99.99	103,019	99.99
Union Real-Estate Management Corporation	66,160	40.00	132,235	40.00
Union Security Investment Trust Corporation	40,698	35.00	109,686	35.00
Union Insurance Broker Company	30,112	100.00	28,634	100.00
Morgan Stanley Union Bank Asset Management Corporation	-	49.00	74,778	49.00
	\$ 2,479,374		\$ 2,946,398	

Income (losses) from equity investments were summarized as follows:

	Years Ended December 31	
	2008	2007
Union Bills Finance Corporation	\$(159,869)	\$ (37,129)
Union Finance and Leasing International Corporation	13,272	28,398
Union Finance International (H.K.) Limited	(4,056)	21,087
Union Information Technology Corporation	(515)	33,428
Union Real-Estate Management Corporation	14,806	90,776
Union Security Investment Trust Corporation	(68,988)	(13,406)
Union Insurance Broker Company	10,919	8,897

Morgan Stanley Union Bank Asset Management Corporation	(74,778)	36,902
Union Securities Investment Consulting Company	-	288

\$(269,209) \$ 169,241

Except for net income of 2007 of Union Securities Investment Consulting Company was based on the investees' unaudited financial statements, income from equity-method investments were based on the investees' audited financial statements for 2008 and 2007, respectively. The Bank believes that had the financial statements of the abovementioned company been audited, any adjustments arising would have no material effect on the Bank's financial statements.

Union Securities Investment Consulting Company had ceased operation and liquidated on May 30, 2007.

As of December 31, 2008 and 2007, the unrealized loss on financial assets (included in stockholders' equity) amounting to \$63,542 thousand and \$35,241 thousand resulted from evaluating the available-for-sale financial assets which were held by the subsidiaries of the Bank.

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 from February to March in 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.

12. UNQUOTED EQUITY INSTRUMENTS

	December 31	
	2008	2007
Unlisted stocks		
Entie Securities Finance Company	\$ 492,298	\$ 622,188
VISA Inc.	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	120,284	130,500
	<u>\$ 1,283,956</u>	<u>\$ 1,092,720</u>

Investments in equity instruments with no quoted market prices in an active market and the investment in Entie Securities Finance Company with a fair value that cannot be reliably measured are measured at cost. As of December 31, 2008, the Bank recognized an impairment loss of \$129,890 thousand on these investments.

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	
	2008	2007
Asset-backed securities	\$ 19,186,815	\$ -
Asset-backed commercial paper	2,246,258	-
Securitized beneficiary certificates of securitization	51,730	90,705
Overseas corporate bonds	-	75,931
	<u>21,484,803</u>	<u>166,636</u>
Accumulated impairment	<u>962,389</u>	<u>-</u>
	<u>\$ 20,522,414</u>	<u>\$ 166,636</u>

As of December 31, 2008, the no-active market debt instruments amounting to \$15,463,147 thousand had been sold under repurchase agreements.

14. PROPERTY AND EQUIPMENT

	December 31	
	2008	2007
Cost	<u>\$ 10,456,079</u>	<u>\$ 10,345,519</u>
Accumulated depreciation		
Buildings and improvements	543,549	436,987
Office equipment	1,130,384	1,030,648
Transportation equipment	172,246	148,541
Leasehold improvements	<u>156,006</u>	<u>111,285</u>
	<u>2,002,185</u>	<u>1,727,461</u>
Prepayments for land and buildings	<u>57,333</u>	<u>-</u>
Net property and equipment	<u>\$ 8,511,227</u>	<u>\$ 8,618,058</u>

15. OTHER ASSETS

	December 31	
	2008	2007
Deferred loss from disposal of nonperforming loans	\$ 4,140,302	\$ 5,727,630
Deferred tax assets, net	3,970,407	3,373,081
Collaterals assumed, net	1,581,344	1,781,746
Deferred charges	313,820	377,642
Prepayments	166,952	216,074
Other	<u>902</u>	<u>1,842</u>
	<u>\$ 10,173,727</u>	<u>\$ 11,478,015</u>

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 net loss in 2008 would have decreased by \$1,587,356 thousand; the net loss in 2007 would have decreased by \$1,587,348 thousand; and the balances of the other assets and unappropriated earnings as of December 31, 2008 and 2007 would have decreased by \$4,140,302 thousand and \$5,727,630 thousand, respectively.

As of December 31, 2008 and 2007, the remaining payments of \$644,025 thousand and \$966,030 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 recognized goodwill amounting to \$3,309,000 thousand. Goodwill was supposed to be amortized over five years, and the amortization expense in 2005 was \$551,500 thousand. However, under the newly revised Statement of Financial Accounting Standards No. 35 - “Impairment of Assets”, effective January 1, 2006, goodwill is no longer amortized but should be tested for impairment annually or whenever there are indications of impairment.

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 Bank’s impairment test in 2007 and 2008, a goodwill impairment amounting to \$66,822 thousand and \$183,283 thousand as of the end of 2008 and 2007 was recognized by the Bank, respectively.

17. CALL LOANS AND DUE TO BANKS

	December 31	
	2008	2007
Due to Chunghwa Post Co., Ltd.	\$ 19,841,503	\$ 22,859,340
Call loans	196,644	3,810,448
Due to the Central Bank and other banks	35,466	417,031
Overdraft	590	-
	<u>\$ 20,074,203</u>	<u>\$ 27,086,819</u>

18. PAYABLES

	<u>December 31</u>	
	2008	2007
Interest payable	\$ 1,919,145	\$ 1,946,751
Notes and checks in clearing	1,700,141	1,024,294
Accrued expenses	319,488	451,307
Bank acceptances payable	216,684	312,668
Accounts payable on wire transfers received	153,213	204,218
Collection payable	151,503	162,994
Tax payable	83,995	111,699
Other	<u>437,149</u>	<u>562,169</u>
	<u>\$ 4,981,318</u>	<u>\$ 4,776,100</u>

19. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	2008	2007
Checking	\$ 2,963,714	\$ 2,956,438
Demand	25,673,552	27,591,881
Savings	183,277,224	167,319,262
Time	63,871,136	64,128,039
Negotiable certificates of deposit	1,949,600	1,913,400
Inward and outward remittances	<u>16,108</u>	<u>45,415</u>
	<u>\$ 277,751,334</u>	<u>\$ 263,954,435</u>

20. BANK DEBENTURES

	<u>December 31</u>		Term
	2008	2007	
First unsecured, onvertible bank debentures issued in 2004	\$ 44,300	\$ 1,526,400	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.
	<u>\$ 9,044,300</u>	<u>\$ 10,526,400</u>	

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, 2008 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 December 31, 2008, 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 December 31, 2008.

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, capital surplus may only be used to offset a deficit. However, capital surplus arising from the issuance of shares in excess of par value (including issuance in excess of common stock par value, issuance of shares for combinations and treasury stock transactions) and donations may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law, which however is limited to a certain percentage of the Bank's paid-in capital and once a year.

Capital surplus from equity-method investments may not be distributed 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, 2008, the Bank did not assess the bonus to employees and the bonus to directors and supervisors.

A special reserve should be appropriated from retained earnings at an amount equal to the debit balance of an account in stockholders' equity excluding treasury stock. The balance of the special reserve is adjusted to reflect any changes in the debit balances of the related account. 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.

In the stockholders' ordinary meeting on June 15, 2007, the stockholders approved the appropriation of a legal reserve of \$ 91,745 thousand and a special reserve of \$214,071 thousand from the 2006 earnings.

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

Under the Company Law, the appropriation for legal reserve is made until the reserve equals the aggregate par value of the outstanding capital stock of the Bank. This reserve is only used to offset a deficit, or, when its balance reaches 50% of aggregate par value of the outstanding capital stock of the Bank, up to 50% thereof can be distributed as stock dividends. 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.

Any appropriations of earnings are recorded in the year of stockholders' approval. Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

22. PENSION

Based on the Labor Pension Act, the Bank has made monthly contributions to the employees' individual pension accounts at 6% of employee salaries. These contributions amounted to \$84,105 thousand and \$89,805 thousand in 2008 and 2007, respectively.

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 to a pension fund, which is deposited 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 (established in Taipei branch of the Bank), respectively. As of December 31, 2008 and 2007, the accounts amounted to \$491,087 thousand and \$452,416 thousand, respectively.

Other information on the defined benefit plan is as follows:

	2008	2007
a. Pension fund changes are summarized below:		
Balance, January 1	\$ 452,416	\$ 429,400
Contributions	38,705	39,954
Interest revenue	13,050	10,231
Benefits paid	(13,112)	(26,716)
Unrealized gain (loss) on financial assets	<u>28</u>	<u>(453)</u>
Balance, December 31	<u>\$ 491,087</u>	<u>\$ 452,416</u>
b. Net pension costs in 2008 and 2007 are summarized below:		
Service cost	\$ 25,329	\$ 27,982
Interest cost	19,988	18,466
Expected return on plan assets	(11,110)	(10,250)
Net amortization and deferral	(519)	(519)
Net amortization of loss of pension	<u>5,001</u>	<u>4,258</u>
Net pension cost	<u>\$ 38,689</u>	<u>\$ 39,937</u>

- c. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2008 and 2007 is as follows:

	December 31	
	2008	2007
Benefit obligation		
Vested benefit obligation	\$ 104,871	\$ 104,068
Non-vested benefit obligation	<u>425,973</u>	<u>363,854</u>
Accumulated benefit obligation	530,844	467,922
Additional benefits based on future salaries	<u>173,458</u>	<u>118,208</u>
Projected benefit obligation	704,302	586,130
Fair value of plan assets	<u>(493,080)</u>	<u>(446,498)</u>
Funded status	211,222	139,632
Unrecognized prior service cost	5,961	6,480
Unrecognized pension loss	(209,711)	(138,624)
Additional accrued pension liabilities	<u>30,292</u>	<u>13,936</u>
 Accrued pension cost (included in other liability)	 <u>\$ 37,764</u>	 <u>\$ 21,424</u>
 d. Vested benefits obligation	 <u>\$ 118,693</u>	 <u>\$ 114,352</u>
 e. Actuarial assumptions		
Discount rate used in determining present values	2.5%	3.5%
Future salary increase rate	2.0%	0%-2.0%
Expected rate of return on plan assets	2.5%	2.5%

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2008	2007
Personnel expenses		
Salaries and wages	\$ 1,620,559	\$ 1,736,986
Bonus and rewards	311,597	517,086
Labor insurance and national health insurance	151,498	163,243
Pension	123,600	134,368
Other	<u>19,738</u>	<u>21,653</u>
	<u>\$ 2,226,992</u>	<u>\$ 2,573,336</u>
 Depreciation	 <u>\$ 367,818</u>	 <u>\$ 380,177</u>
Amortization	<u>\$ 121,292</u>	<u>\$ 97,676</u>

24. INCOME TAX BENEFIT

a. The components of income tax benefit were as follows:

	2008	2007
Income tax on loss before income tax at 25% statutory rate	\$ (447,421)	\$(1,614,695)
Permanent difference	(312,918)	(279,990)
Temporary difference	(119,627)	(233,960)
Loss carryforward unused	<u>879,966</u>	<u>2,128,645</u>
Current tax payable	-	-
Change in deferred income tax	(597,326)	(1,533,866)
Separate tax on interest income on short-term bills	9,980	18,998
Tax expense of previous bond holders	6,367	-
Prior year's income tax adjustment	<u>1,300</u>	<u>(1,514)</u>
Income tax benefit	<u>\$ (579,679)</u>	<u>\$(1,516,382)</u>

On January 6, 2009, the Legislative Yuan of the Republic of China passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years. The Bank recalculated deferred tax assets according to the amended Article and recorded the resulting difference as a deferred income tax benefit.

b. As of December 31, 2008 and 2007, deferred income tax assets (liabilities) consisted of the tax effects of the following:

	<u>December 31</u>	
	2008	2007
Loss carryforwards	\$ 4,357,930	\$ 3,555,559
Amortization of goodwill	(433,824)	(285,079)
Loss on disposal of nonperforming loans	-	89,937
Investment tax credit	20,376	27,746
Reserve for default	11,867	11,456
Unrealized loss on collaterals assumed	62,271	86,858
Impairment loss of financial assets	273,070	-
Investment income under the equity method	(6,418)	(7,432)
Allowance for credit losses	320,051	464,067
Unrealized valuation gain on derivative instruments	(12,879)	(23,475)
Others	<u>(4,000)</u>	<u>1,452</u>
	4,588,444	3,921,089
Less: Allowance for valuation of deferred income tax assets	<u>618,037</u>	<u>548,008</u>
Net deferred income tax assets (included in other assets)	<u>\$ 3,970,407</u>	<u>\$ 3,373,081</u>

c. As of December 31, 2008, 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	\$ 4,292	\$ 4,292	2009
		1,571	1,571	2010
		6,481	6,481	2011
		4,164	4,164	2012
		<u>3,868</u>	<u>3,868</u>	2013
		<u>\$ 20,376</u>	<u>\$ 20,376</u>	

Loss carryforwards as of December 31, 2008 comprised:

Unused Amount	Expiry Year
\$ 1,042,328	2013
1,683,060	2015
3,091,769	2016
8,293,639	2017
<u>3,320,924</u>	2018
<u>\$ 17,431,720</u>	

d. The related information under the Integrated Income Tax System is as follows:

	<u>December 31</u>	
	2008	2007
Balances of the imputation credit account	<u>\$ 290,625</u>	<u>\$ 257,791</u>

As of December 31, 2008, 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. 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:

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>Loss Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>2008</u>					
Basic loss per share	<u>\$(1,789,643)</u>	<u>\$(1,209,964)</u>	<u>1,918,824</u>	<u>\$ (0.93)</u>	<u>\$ (0.63)</u>
	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>Loss Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>2007</u>					
Basic loss per share	<u>\$(6,458,740)</u>	<u>\$(4,942,358)</u>	<u>1,868,474</u>	<u>\$ (3.46)</u>	<u>\$ (2.65)</u>

26. RELATED-PARTY TRANSACTIONS

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

a. Related parties

<u>Related Party</u>	<u>Relationship with the Bank</u>
Yu-Pang Co., Ltd. (“Yu-Pang”)	Director
Yong-Xuan Co., Ltd. (“Yong-Xuan”)	Its chairman is Bank’s director
Zhong Li Venture Corporation	Director
Union Recreation Enterprise Corporation	Director
Lin Ci Yong	Director
Liu Jin Fu	Director
Yu Quan Kai Fa Co., Ltd.	Supervisor
Bao Xing Investment Corporation	Supervisor
He Ming Xing	Supervisor
Union Enterprise Construction Co., Ltd. (UECC)	Its chairman is Bank’s director
Union Ran Zheng Co., Ltd.	Its chairman and director are the Bank’s director
Hung-Kou Construction Inc., Ltd. (“Hung-Kou”)	Its chairman is a second-degree relative of the Bank’s director
Union Finance and Leasing International Corporation (UFLIC)	Subsidiary
Union Capital (Cayman) Corp.	Equity-method investee
New Asian Ventures Ltd.	Equity-method investee
Union Bills Finance Corporation (UBF)	Equity-method investee
Union Securities Investment Trust Corporation (USITC)	Equity-method investee
Morgan Stanley Union Bank Assets Management Corporation (MSUB)	Equity-method investee
Union Real-Estate Management Corporation	Equity-method investee
Union Information Technology Corporation (UIT)	Subsidiary
Union Insurance Broker Company (UIB)	Subsidiary

Union Securities Investment Consulting Company (USI) (liquidated on May 31, 2007)	Subsidiary
Long Shan Lin Corporation	UBF is its director
Entie Securities Finance Co.	The Bank holds more than 3% of its stock
Li Chang Yao Ye Co.	Liu Jin Fu is its director
T-Movies Theater Co.	Lee Yu Quan's wife is its chairman
Hong Bang Construction Co., Ltd.	Main stockholder of the Bank
The Liberty Times Co., Ltd.	Its director and supervisor are the Bank's director
Others	Directors, supervisors, managers, their relatives and affiliates.

b. Significant transactions with related parties:

1) Loans

December 31, 2008

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2008	Ending Balance	Loans Classification		Unrelated Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
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, 2007

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2007	Ending Balance	Loans Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	51	\$ 5,229	\$ 4,528	\$ 4,528	\$ -	-	None
Self-used housing mortgage loans	68	373,686	281,602	281,602	-	- Real estate	None
Other loans	Union Finance and Leasing International Corporation	1,600,000	1,590,000	1,590,000	-	- Land, building and time deposit	None
Other loans	EnTie Securities Finance Co.	1,130,000	980,000	980,000	-	- 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	564,000	64,000	64,000	-	- Land and buildings	None
Other loans	Li Chang Yao Ye Co.	145,000	89,000	89,000	-	- Land and factory	None
Other loans	T-Movies Theater Co.	19,561	4,639	4,639	-	- Land and buildings	None

	<u>December 31</u>		<u>Interest Revenue</u>		
	<u>Amount</u>	<u>%</u>	<u>Rate</u>	<u>Amount</u>	<u>%</u>
2008	\$ 3,610,805	2.01	1.98%-19.02%	\$ 107,234	0.72
2007	4,553,769	2.22	0.001%-19.02%	94,225	0.64

2) Deposits

	<u>December 31</u>		<u>Interest Expense</u>		
	<u>Amount</u>	<u>%</u>	<u>Rate</u>	<u>Amount</u>	<u>%</u>
2008	\$ 4,688,545	1.69	0%-8.45%	\$ 74,499	0.99
2007	4,867,380	1.84	0%-7.45%	70,755	0.95

3) Guarantees and letters of credit

December 31, 2008

Name	<u>Highest Balance in the Year Ended December 31, 2008</u>		<u>Balance of Guarantees and Letters of Credit (Note)</u>	<u>Rate</u>	<u>Collateral</u>
	<u>December 31, 2008</u>	<u>Ending Balance</u>			
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

December 31, 2007

Name	<u>Highest Balance in the Year Ended December 31, 2007</u>		<u>Balance of Guarantees and Letters of Credit (Note)</u>	<u>Rate</u>	<u>Collateral</u>
	<u>December 31, 2007</u>	<u>Ending Balance</u>			
Union Recreation Enterprise Corporation	\$ 102,099	\$ 102,099	\$ -	0.3%-0.5%	Time deposits
Hong Bang Construction Co., Ltd.	70,000	-	-	0.5%	Time deposits
The Liberty Times Co., Ltd.	92,582	79,475	-	0.05%	Land and buildings
Union Ran Zheng Co., Ltd.	568	567	-	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

	<u>Highest Balance During the Year</u>	<u>Balance as of December 31</u>	<u>Rate</u>	<u>Interest Revenue</u>
2008	\$ 2,130,000	\$ -	0.60%-2.07%	\$ 11,576
2007	2,508,000	-	1.688%-3.95%	4,549

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
2007	4,165,000	-	1.69%-3.80%	6,644

6) Securities purchased under resell agreements

	Year of 2008					
	Purchase of Securities (Note)	Sell 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	-	-	-	-	-

	Year of 2007					
	Purchase of Securities (Note)	Sell of Securities (Note)	Securities Sold under Repurchase Agreements		Securities Purchased under Resell Agreements	
			Balance of December 31	Rate	Balance of December 31	Rate
UBF	\$ 89,014,091	\$ 70,722,162	\$ 590,000	1.95%-2.15%	\$ -	-

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

7) Securities brokerage fees

	Years Ended December 31	
	Amount	%
2008	\$ 6,051	6.17
2007	13,844	9.01

8) Consulting and advisory contract

In August 2001, the Bank and UFLIC entered into a three year consulting and renew contract in August of 2004 and December of 2006. UFLIC's services include consultation on management, marketing, and promotional activities of auto loans, as well as on loan management and collection of overdue loans, etc. (exclude approval of loan application). The consulting fees and related expenses paid in 2008 and 2007 were \$96,247 thousand and \$168,431 thousand (included in other operating expense), respectively, and the accrued expenses as of December 31, 2008 and 2007 were \$2,222 thousand and \$14,954 thousand, respectively.

9) Leases

a) The Bank as lessee

Under operating lease agreements with terms varying from one year to seven 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 six branches. Rentals are payable quarterly, with some contracts allowing placement with the lessor of lease deposits in lieu of rental payments. Rental expenses were as follows:

	Lease Deposit (Included in Other Financial Assets)		Rental Expense	
	Amount	%	Amount	%
<u>2008</u>				
Yu-Pang	\$ 454,826	30.84%	\$ 21,800	3.86%
Hung-Kuo	228,524	15.50%	128,119	22.68%
Yong-Xuan	18,977	1.29%	81,418	14.41%
UECC	5,019	0.34%	10,221	1.81%
UBF	91	0.01%	365	0.06%
UFLIC	-	-	752	0.13%
<u>2007</u>				
Yu-Pang	454,826	39.68	20,251	3.54
Hung-Kuo	228,524	19.94	125,234	21.87
Yong-Xuan	19,550	1.71	79,190	13.83
UECC	5,019	0.44	10,650	1.86
UBF	91	0.01	365	0.06
UFLIC	-	-	752	0.13

The Bank rented cars for business from UFLIC, the rental expense in 2008 and 2007 were \$6,895 thousand and \$6,289 thousand, respectively. Rental payable as of December 31, 2008 and 2007 were \$7,218 thousand and \$7,205 thousand.

b) The Bank as lessor

The Bank's Tauring Branch, Kaohsiung Branch and Mincynan Branch leased part of their office premises to UFLIC under operating lease agreements starting from December 2004 to December 2009, from July 2007 to December 2015 and from September 2007 to September 2017, respectively. The leasing revenues received were \$2,172 thousand in 2008 and \$1,878 thousand in 2007. The lease deposit received was \$315 thousand for 2008 and 2007. 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 2008 and 2007. The lease deposit received was \$104 thousand for 2008 and 2007.

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

The Bank disposal a part of its nonperforming loans and related collateral property to Morgan Stanley Union Bank on June 27, 2006 and September 20, 2006, which amounted to \$995,000 thousand and \$615,025 thousand, respectively. Of this amount, \$644,025 thousand and \$966,030 thousand had not been received as of December 31, 2008 and 2007, respectively (refer to Note 15).

In addition, the Bank disposed a part of its nonperforming loans and related collaterals to Union Real-Estate Management Corporation at the price of \$451,800 thousand on November 26, 2007, and had been completely received before June 30, 2008.

Related party: Union Real-Estate Management Corporation

Disposal date: November 26, 2007

Contract Items		Amount (Note)	Carrying Amount (Note)	Price Allocation	
Enterprise	Secured	\$ 332,961	\$ 332,099	\$ 211,581	
	Non-secured	360,055	358,821	239,419	
General	Secured	House mortgage	3,601	3,601	800
		Car loans	-	-	-
		Others	-	-	-
	Non-secured	Credit cards	-	-	-
		Cash cards	-	-	-
		Micro credit	-	-	-
	Others	-	-	-	
Total		696,617	694,521	451,800	

Note: Allowance for bad debt was excluded.

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

As of December 31, 2008 and 2007, the Bank purchased 88,365 thousand and 85,318 thousand units, respectively, of beneficiary certificates issued by USITC, which amounted to \$706,952 thousand (included in available-for-sale financial assets) and \$974,415 thousand (included in financial assets at fair value through profit or loss), 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, 2008 and 2007, UBF hold the Bank's debentures amounting to \$655,000 thousand and \$647,000 thousand, respectively.

13) Acquisition of property and equipment

In June 2008, the Bank purchased land from the president of the Bank, which amounted to \$70,088 thousand. In addition, the Bank purchased buildings for operating office and warehouse from Long Shan Lin Corporation at the price of \$46,730 thousand in June 2008. As of December 31, 2008, the amount of the two transactions had already been paid off.

The Bank purchased land for operating office and warehouse from Union Real-Estate Management Corporation at the price of \$84,500 thousand in November 2007. As of December 31, 2008, the this purchase had been fully paid for.

14) UIT sold computers, related material and software and provided network service to the Bank. The related purchase and service fee in 2008 and 2007 were \$151,316 thousand and \$310,584 thousand, respectively.

15) The Bank provided insurance consulting service and sales assistance to UIB. The commission revenues in 2008 and 2007 were \$143,767 thousand and \$112,230 thousand, respectively. The consulting service revenues (including in other net revenues) in 2008 and 2007 were \$45,566 thousand and \$27,149 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:

	<u>Year Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Salaries	\$ 19,594	\$ 19,705
Incentives	2,952	2,747
Traveling fare	1,080	1,164
Special compensation	447	395
Car rental and oil subsidy	<u>1,601</u>	<u>1,608</u>
	<u>\$ 25,674</u>	<u>\$ 25,619</u>

27. PLEDGED ASSETS

As of December 31, 2008 and 2007, government bonds and bank debentures, which amounted to \$637,700 thousand and \$984,300 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, 2008 and 2007, negotiable certificates of deposit, which amounted to \$500,000 thousand and \$1,300,000 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, and rental expenses are recognized at imputed interests of 2.62%. Future minimum lease payments are as follows:

Year	Amount
2009	\$ 427,553
2010	271,488
2011	118,638
2012	73,714
2013	40,871

The present value of total rentals beyond 2014, amounted to \$268,401 thousand, is about \$246,482 thousand, discounted by the Bank's one-year time deposit interest rate of 1.43% on January 1, 2009.

b. Computer equipment purchase contracts

The Bank contracted to purchase computer equipment and software for \$54,974 thousand, of which \$20,671 thousand (included in prepayments for equipment) had been paid as of December 31, 2008.

c. Securities sold under repurchase agreements

As of December 31, 2008, securities with a total cost of \$27,843,332 thousand were sold under agreements to repurchase between January 31, 2009 and June 30, 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, 2008, securities with a total cost of \$6,555,286 thousand were purchased under agreements to resell for \$6,556,849 thousand between January 31, 2009 and February 28, 2009.

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

**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	<u>(17,293)</u>
Real estate - land and building	5,506,720		
Stock in custody	<u>6,389,391</u>		
Total	<u>\$ 46,337,695</u>	Total	<u>\$ 46,337,695</u>

**Balance Sheet of Trust Accounts
December 31, 2007**

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	\$ 2,172,546	Income tax payable	\$ 118
Investments		Trust capital	45,370,798
Mutual funds	36,849,517	Reserve and deficit	<u>(267,947)</u>
Common stock	177,689		
Short-term bills and securities purchased under resell agreements	368,933		
Accounts receivable	1,594		
Real estate - land and building	<u>5,532,690</u>		
Total	<u>\$ 45,102,969</u>	Total	<u>\$ 45,102,969</u>

**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	<u>511</u>
Total trust income	25,334
Trust expense	
Management expense	1,454
Taxation	7,509

Realized capital loss - fund	7,927
Other	<u>3,796</u>
Total trust expense	<u>20,686</u>
Loss before tax	4,648
Income tax expense	<u>(465)</u>
Loss after tax	4,183
Unrealized capital gain - GTSM stock	11,900
Unrealized capital gain - fund	2,133
Unrealized capital loss - fund	<u>(5,442)</u>
Net income	<u>\$ 12,774</u>

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

**Trust Income Statement
Year Ended December 31, 2007**

	Amount
Trust income	
Interest revenue - demand account	\$ 291
Interest revenue - time deposit	3,236
Interest revenue - short-term bills and securities purchased under resell agreements	2,579
Cash dividend	8,935
Realized capital gain - fund	2,966
Income from beneficiary certificates	<u>138</u>
Total trust income	18,145
Trust expense	
Management expense	2,209
Taxation	269,803
Realized capital loss - fund	46
Other	<u>12,705</u>
Total trust expense	<u>284,763</u>
Loss before tax	(266,618)
Income tax expense	<u>(1,320)</u>
Loss after tax	(267,938)
Unrealized capital gain - GTSM stock	33,415
Unrealized capital gain - fund	2,526
Unrealized capital loss - fund	<u>(109)</u>
Net loss	<u>\$ (232,106)</u>

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

**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
Real estate - land and building	5,506,720
Stock in custody	<u>6,389,391</u>
	<u>\$46,337,695</u>

**Trust Property and Equipment Accounts
December 31, 2007**

Investment Portfolio	Amount
Bank deposits	\$ 2,172,546
Investments	
Mutual funds	36,849,517
Common stock	177,689
Short-term bills and securities purchased under resell agreements	368,933
Accounts receivable	1,594
Real estate - land and building	<u>5,532,690</u>
	<u>\$45,102,969</u>

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.

	<u>2008</u>	
	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
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	13,079,395	15.36
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

	(Continued)	
	2008	
	Average	Average
	Balance	Rate
		(%)
<u>Interest-bearing liabilities</u>		
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
		(Concluded)
		2007
	Average	Average
	Balance	Rate
		(%)
<u>Interest-earning assets</u>		
Cash and cash equivalents	\$ 1,615,824	1.36
Due from the Central Bank and other banks	30,217,041	1.39
Financial assets at fair value through profit or loss	7,815,700	0.75
Securities purchased under resell agreements	4,869,277	1.54
Discounts and loans	191,239,958	4.15
Accounts receivable - credit card	24,221,265	12.73
Available-for-sale financial assets	5,072,832	1.87
Held-to-maturity investments	41,799,919	6.85
Non-active market debt instruments	349,040	3.86
<u>Interest-bearing liabilities</u>		
Call loans and due to other banks	7,397,698	2.69
Securities sold under repurchase agreements	25,869,523	4.53
Demand deposits	22,835,652	0.60
Savings - demand deposits	59,709,459	0.71
Time deposits	57,718,677	3.07
Due to Chunghwa Post Co., Ltd.	21,152,800	2.39
Time - savings deposits	123,535,105	2.18
Negotiable certificates of deposit	4,602,083	1.11
Bank debentures	14,212,959	2.74
Liability component of preferred stocks	327,200	6.00

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2008		2007	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 7,675,019	\$ 7,675,019	\$ 7,746,462	\$ 7,746,462
Available-for-sale financial assets	6,279,718	6,279,718	3,439,568	3,439,568
Other short-term financial assets	78,982,810	78,982,810	62,689,648	62,689,648
Discounts and loans	179,918,155	179,918,155	205,523,586	205,523,586
Held-to-maturity financial assets	36,318,287	34,971,312	48,559,541	45,592,123
No-active market debt instruments	20,522,414	20,151,505	166,636	256,373
Other financial assets	2,825,795	2,825,795	3,498,355	3,498,355
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	212,904	212,904	61,326	61,326
Other short-term financial liabilities	52,914,961	52,914,961	64,773,593	64,773,593
Deposits	277,735,226	277,735,226	263,909,020	263,909,020
Bank debentures	9,044,300	9,091,674	10,526,400	10,528,053
Other financial liabilities	220,896	220,896	254,580	254,580
Liability component of preferred stocks	-	-	327,200	327,200

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), agreements, call loans and due to banks, securities sold under repurchase payables 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) Investments under the equity method and financial assets carried at cost have no quoted market prices in an active market and their fair value cannot be reliably measured. Thus, the Bank does not disclose their fair value.
 - 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 and interest rate swap contracts are based on present value techniques. Options' fair value are based on estimates using Black Scholes model.
 - 8) Fair value of liability component of preferred stocks are estimated based on the present value of future cash flows.
- c. Fair value of financial assets and financial liabilities determined based upon quoted market prices or valuation techniques summarized as follows:

	<u>Quoted Market Prices</u>		<u>Valuation Techniques</u>	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 2,515,790	\$ 4,070,001	\$ 5,159,229	\$ 3,676,461
Available-for-sale financial assets	6,279,718	3,439,568	-	-
Held-to-maturity investments	1,090,082	646,813	33,881,230	44,945,310
Non-active market debt instruments	-	-	20,151,505	256,373
Other financial assets	-	-	2,825,795	3,498,355
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	212,904	61,326
Bank debentures	9,091,674	10,528,053	-	-
Other financial liabilities	-	-	220,896	254,580
Liability component of preferred stock	-	-	-	327,200

Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$43,274 thousand and \$102,766 thousand for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2008 and 2007, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	<u>Year Ended December 31</u>	
	2008	2007
Total interest income	\$ 14,695,130	\$ 14,571,107
Total interest expense	7,502,445	7,415,733

The Bank recognized an unrealized loss of \$419,219 thousand and \$65,287 thousand in stockholders' equity for the changes in fair value of available-for-sale financial assets in the year ended December 31, 2008 and 2007, respectively, and of which \$362,590 thousand and \$14,982 thousand were reclassified into current 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, 2008 and 2007, ratios of secured loans to total loans were 78.81% and 77.93 %, respectively. Ratio of secured financial guarantees and standby letters of credits were 35.09% 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, 2008 and 2007, the loan interest rates ranged from 1.75% to 9.50% and 1.70% to 9.1%, 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, 2008 and 2007 were as follows:

	December 31	
	2008	2007
Credit commitments for credit cards	\$ 304,808,175	\$ 339,144,137
Guarantees and standby letters of credit	6,767,588	8,465,275
Irrevocable loan commitments	998,233	492,923

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, 2008 and 2007. On December 31, 2008 and 2007, the Bank's most significant concentrations of credit risk were summarized as follows:

Credit Risk Profile by Counterparty	Carrying Amount	
	December 31	
	2008	2007
Consumer	\$ 135,964,871	\$ 147,532,855
Private sector	38,496,650	51,623,058
Government	<u>772,580</u>	<u>1,263,725</u>
	<u>\$ 175,234,101</u>	<u>\$ 200,419,638</u>

Credit Risk Profile by Industry Sector	December 31, 2008	Credit Risk Profile by Industry Sector	December 31, 2007
Real estate activities	\$ 10,349,728	Real estate activities	\$ 18,677,997
Commercial	6,587,644	Finance and insurance	8,315,135
Finance and insurance	<u>5,708,141</u>	Manufacturing	<u>6,711,177</u>
	<u>\$ 22,645,513</u>		<u>\$ 33,704,309</u>

The Bank does not make significant loans to foreign areas in 2008 and 2007. 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, 2008 and 2007, the liquidity reserve ratio was 18.81% and 10.66%, 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, 2008					Total
	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	
<u>Assets</u>						
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	<u>500</u>	<u>-</u>	<u>38,155</u>	<u>8,992</u>	<u>36,270,640</u>	<u>36,318,287</u>

Appendix 1

	<u>90,601,641</u>	<u>8,397,540</u>	<u>11,315,232</u>	<u>16,504,546</u>	<u>186,021,082</u>	<u>312,840,041</u>
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
	<u>55,884,323</u>	<u>37,560,619</u>	<u>42,214,676</u>	<u>96,888,476</u>	<u>107,359,297</u>	<u>339,907,391</u>
Net liquidity gap	<u>\$ 34,717,318</u>	<u>\$ (29,163,079)</u>	<u>\$ (30,899,444)</u>	<u>\$ (80,383,930)</u>	<u>\$ 78,661,785</u>	<u>\$ (27,067,350)</u>

	December 31, 2007					
	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	\$ 5,145,501	\$ -	\$ 150,000	\$ 206,000	\$ -	\$ 5,501,501
Due from the Central Bank and other banks	22,551,422	-	-	-	-	22,551,422
Financial assets at fair value through profit or loss	7,597,036	-	-	-	149,426	7,746,462
Securities purchased under resell agreements	5,863,732	-	-	-	-	5,863,732
Receivables	31,036,332	49,639	16,616	26,106	7,569	31,136,261
Discounts and loans	10,069,320	6,783,794	11,159,784	21,283,178	158,400,794	207,696,871
Available-for-sale financial assets	12,607	-	-	386,049	3,040,912	3,439,568
Held-to-maturity investments	7,200	-	-	10,038	48,542,303	48,559,541
	<u>82,283,150</u>	<u>6,833,433</u>	<u>11,326,400</u>	<u>21,911,371</u>	<u>210,141,004</u>	<u>332,495,358</u>
Liabilities						
Call loans and due to banks	4,003,403	500	15,820	23,067,096	-	27,086,819
Financial liabilities at fair value through profit or loss	1,051	422	881	551	58,421	61,326
Securities sold under repurchase agreements	19,782,772	6,038,169	974,520	6,069,798	-	32,865,259
Payables	3,318,320	340,626	381,437	508,267	227,450	4,776,100
Deposits and remittance	34,702,397	35,282,682	40,365,540	118,361,355	35,242,461	263,954,435
Bank debentures	-	-	-	-	10,526,400	10,526,400
	<u>61,807,943</u>	<u>41,662,399</u>	<u>41,738,198</u>	<u>148,007,067</u>	<u>46,054,732</u>	<u>339,270,339</u>
Net liquidity gap	<u>\$ 20,475,207</u>	<u>\$ (34,828,966)</u>	<u>\$ (30,411,798)</u>	<u>\$ (126,095,696)</u>	<u>\$ 164,086,272</u>	<u>\$ (6,774,981)</u>

e. Reclassifications

On July 1, 2008, the Bank reclassified its financial assets in accordance with the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The fair values at the reclassification date 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	<u>-</u>	<u>2,021,441</u>
	<u>\$ 2,021,441</u>	<u>\$ 2,021,441</u>

In addition, the Bank reclassified its assets backed commercial paper from held for trading financial assets into non-active market debt instruments in accordance with the amended SFAS No. 34 during the third quarter of 2008. Please refer to Note 6 for detail.

The carrying amounts and fair values of the reclassified financial assets as at December 31, 2008 were as follows:

	Carrying Amount	Fair Value
Available-for-sale financial assets	\$ 884,082	\$ 884,082
Non-active market debt instruments	1,283,869	1,283,869

The changes in fair value of the reclassified financial assets recognized in profit and loss or stockholders' equity were as follows:

	Year Ended December 31, 2008			
	Before Reclassifications		After Reclassifications	
	Recognized in Profit and Loss	Recognized in Stockholders' Equity	Recognized in Profit and Loss	Recognized in Stockholders' Equity
Held for trading financial assets	\$ (488,120)	\$ -	\$ -	\$ -
Available-for-sale financial assets	-	-	(350,394)	(199,525)
Non-active market debt instruments	-	-	(962,389)	-

The changes in fair value recognized in profit and loss or stockholders' equity from the reclassification date to December 31, 2008 and pro forma information assuming no reclassifications were made were as follows:

	Amounts Recorded		Pro Forma Information Assuming No Reclassifications
	Recognized in Profit and Loss	Recognized in Stockholders' Equity	Recognized in Profit and Loss
Available-for-sale financial assets	\$ -	\$ (199,525)	\$ (199,525)
Held-to-maturity financial assets	(962,389)	-	(962,389)

31. MARKET RISK CONTROL AND HEDGE STRATEGY

a. Risk managing indicators and strategy

The Bank's main risk 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. STATEMENT OF CAPITAL ADEQUACY

(In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2008	
			Union Bank	Consolidated
Eligible capital	Tier 1 capital		\$ 8,682,110	\$ 11,505,308
	Tier 2 capital		6,298,585	7,308,692
	Tier 3 capital		-	-
	Eligible capital		14,980,695	18,814,000
Risk-weighted	Credit risk	Standardized approach	154,638,398	169,321,710

assets		Internal ratings - based approach	-	-	
		Securitization	760,942	760,942	
	Operational risk		Basic indicator approach	16,657,182	17,915,629
			Standardized approach/Alternative standardized approach	-	-
			Advanced measurement approach	-	-
	Market risk		Standardized approach	5,137,292	8,577,007
			Internal model approach	-	-
		Risk-weighted assets	177,193,814	196,575,288	
Capital adequacy ratio			8.45	9.57	
Ratio of tier 1 capital to risk-weighted assets			4.90	5.85	
Ratio of tier 2 capital to risk-weighted assets			3.55	3.72	
Ratio of tier 3 capital to risk-weighted assets			-	-	
Ratio of common stock to total assets			5.36	5.11	

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.

(In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2007	
			Union Bank	Consolidated
Eligible capital		Tier 1 capital	\$ 9,937,596	\$ 15,657,690
		Tier 2 capital	8,611,939	8,307,867
		Tier 3 capital	-	-
		Eligible capital	18,549,535	23,965,557
Risk-weighted assets	Credit risk	Standardized approach	180,228,521	\$194,310,086
		Internal ratings - based approach	-	-
		Securitization	7,248,829	7,248,829
	Operational risk	Basic indicator approach	15,819,638	16,606,550
		Standardized approach/Alternative standardized approach	-	-
		Advanced measurement approach	-	-

	Market risk	Standardized approach	6,356,923	15,461,962
		Internal model approach	-	-
		Risk-weighted assets	209,653,911	233,627,427
Capital adequacy ratio			8.85	10.26
Ratio of tier 1 capital to risk-weighted assets			4.74	6.70
Ratio of tier 2 capital to risk-weighted assets			4.11	3.56
Ratio of tier 3 capital to risk-weighted assets			-	-
Ratio of common stock to total assets			5.35	5.06

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 4 (attached)
- 2) Concentration of credit extensions

December 31, 2008

(In Thousands of New Taiwan Dollars, %)

Rank	Group Enterprise name	Total Amount of Credit Endorsement or Other Transactions	Percentage of Equity (%)
1	Union Group	\$3,252,274	19.03
2	Wei Da Group	1,588,126	9.29
3	Li Ba Group	1,370,831	8.02
4	Chinatrust Financial Holdings Co., Ltd.	1,203,828	7.04
5	Lin San Hao Group	1,075,032	6.29
6	Miramar Group	918,817	5.38
7	Hung Tai Group	842,500	4.93
8	Qing Feng Group	755,436	4.42
9	Tao Da Construction Group	748,244	4.38
10	President Group	494,733	2.89

December 31, 2007

(In Thousands of New Taiwan Dollars, %)

Rank	Group Enterprise name	Total Amount of Credit Endorsement	Percentage of Equity (%)
------	-----------------------	------------------------------------	--------------------------

		or Other Transactions	
1	Hung Tai Group	\$3,830,853	21.17
2	Union Group	3,376,147	18.65
3	Wei Da Group	2,495,200	13.79
4	Chinatrust Financial Holdings Co., Ltd.	1,170,663	6.47
5	Lin San Hao Group	1,134,356	6.27
6	Qing Feng Group	1,081,772	5.98
7	Miramar Group	906,810	5.01
8	Chang Liao Leasing Group	842,622	4.66
9	Tao Da Construction Group	592,900	3.28
10	Wei Jing Group	529,689	2.93

b. Interest rate sensitivity information

**Interest Rate Sensitivity
December 31, 2008**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	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%)

**Interest Rate Sensitivity
December 31, 2007**

(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	\$ 218,099,045	\$ 5,168,829	\$ 6,943,359	\$ 35,606,979	\$ 265,818,212
Interest rate-sensitive liabilities	131,285,553	94,259,067	34,611,237	13,392,927	273,548,784
Interest rate sensitivity gap	86,813,492	(89,090,238)	(27,667,878)	22,214,052	(7,730,572)
Net worth					16,430,138
Ratio of interest rate-sensitive assets to liabilities					97.17%
Ratio of interest rate sensitivity gap to net worth					(47.05%)

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, 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%)

**Interest Rate Sensitivity
December 31, 2007**

(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	\$ 61,453	\$ 30,015	\$ 3,315	\$ 1,492,532	\$ 1,587,315
Interest rate-sensitive liabilities	1,042,557	351,851	374,167	457	1,769,032
Interest rate sensitivity gap	(981,104)	(321,836)	(370,852)	1,492,075	(181,717)
Net worth					58,855
Ratio of interest rate-sensitive assets to liabilities					89.73%
Ratio of interest rate sensitivity gap to net worth					(308.75%)

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	2008	2007	
Return on total assets	Before income tax	(0.50)	(1.79)
	After income tax	(0.34)	(1.37)
Return on net worth	Before income tax	(10.17)	(35.12)
	After income tax	(6.88)	(26.87)
Profit margin	(19.31)	(62.26)	

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, 2008 and 2007.

2) Maturity analysis of assets and liabilities:

**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

**Maturity Analysis of Asset and Liabilities
December 31, 2007**

(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	\$ 295,568,826	\$ 58,083,491	\$ 11,092,436	\$ 14,787,158	\$ 24,759,616	\$ 186,846,125
Main capital outflow on maturity	302,654,939	40,342,182	33,625,779	30,271,304	135,843,861	62,571,813
Gap	(7,086,113)	17,741,309	(22,533,343)	(15,484,146)	(111,084,245)	124,274,312

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, 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

**Maturity Analysis of Assets and Liabilities
December 31, 2007**

(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	\$ 2,240,020	\$ 634,712	\$ 72,376	\$ 28,572	\$ 5,859	\$ 1,498,501
Capital outflow on maturity	2,240,021	1,118,923	351,511	357,151	376,973	35,463
Gap	(1)	(484,211)	(279,135)	(328,579)	(371,114)	1,463,038

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 - none
- 3) Marketable securities held: The Bank - not applicable; investee company: Table 1 (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 2 (attached)
- 9) Sale of nonperforming loans: None
- 10) Financial asset securitization: Table 3 (attached)
- 11) Other significant transactions which may affect the decision of financial statements users: Table 4 (attached)
- 12) The information of investees: Table 5 (attached)
- 13) Derivative financial transactions: For the Bank's related information, 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) amount of derivative financial instruments as of December 31, 2008 and 2007 were as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Financial Instruments	Contract (Notional) Amounts	Contract (Notional) Amounts
Assets swap	\$ 32,500	\$ 122,600
Interest rate swap	15,300,000	25,500,000

- b) Fair value of derivative financial instruments

Financial Instruments	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Carrying Value	Fair Value Based on Estimates	Carrying Value	Fair Value Based on Estimates
Assets				
Asset swaps	\$ 32,233	\$ 32,233	\$ 121,431	\$ 121,431
Interest rate swap	-	-	6,590	6,590
Liabilities				
Interest rate swap	26,529	26,529	33,969	33,969

- 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:

Financial Instrument	December 31, 2008		December 31, 2007	
	Notional Amounts	Financial Instruments	Notional Amounts	Financial Instruments
Derivative financial instrument				
Interest rate swap	\$ 15,300,000	\$ 42,102	\$ 25,500,000	\$ 68,908
Asset swap	\$ 32,500	\$ 6	\$ 122,600	\$ -

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

MARKETABLE SECURITIES HELD

DECEMBER 31, 2008

(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, 2008				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	<u>Stock</u>							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	872	\$ 7,085	0.06%	\$ 7,085	-
	Photronics Semiconductor Mask Corp.	-	Available-for-sale financial assets	536	2,198	-	2,198	-
	China Chemical Corporation	-	Available-for-sale financial assets	356	4,883	-	4,883	-
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	509,213	100.00%	US\$ 15,525	-
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	109,037	100.00%	US\$ 3,324	-
	Union Bills Finance Corporation	Affiliate	Unquoted equity instruments	2,100	26,250	0.71%	19,140	Note 1
	WI Harper Group	-	Unquoted equity instruments	1,317	7,487	3.33%	10,111	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33%	4,748	Note 1
	Yung Li Securities Co., Ltd.	-	Unquoted equity instruments	1	487	0.99%	5,235	Note 1
Union Bills Finance Corporation	<u>Stock</u>							
	TSEC Taiwan 50 Index	-	Financial assets at fair value through profit or loss	-	3,681	-	3,681	-
	Formosa Chemicals & Fiber Corporation	-	Financial assets at fair value through profit or loss	-	29,528	-	29,528	-
	Taiwan Hon chuan Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	-	437	-	437	-
	Ttet Union Corporation	-	Available-for-sale financial assets	-	982	-	982	-
	UPC Technology Co., Ltd.	-	Available-for-sale financial assets	1	11,449	-	11,449	-
	China Steel Co., Ltd.	-	Available-for-sale financial assets	2	50,124	-	50,124	-
	Chung Hung Steel	-	Available-for-sale financial assets	2	17,340	-	17,340	-
	Yeun Chyang Co., Ltd.	-	Available-for-sale financial assets	-	934	-	934	-
	TSRC Corporation	-	Available-for-sale financial assets	2	58,702	-	58,702	-
	Far EastTone Co., Ltd.	-	Available-for-sale financial assets	-	134	-	134	-
	Debt Instrument Depository and Clearing Co., Taiwan	-	Unquoted equity instruments	-	8,974	-	8,974	Note 2
	<u>Beneficiary certificate</u>							
	NITC Global Trends Fund	-	Financial assets at fair value through profit or loss - fund	1	9,900	-	9,900	-
	Adam Global Emerging Markets Fund	-	Available-for-sale financial assets	1	5,709	-	5,709	-
	JF(Taiwan) Asia Fund	-	Available-for-sale financial assets	-	5,777	-	5,777	-
AIG Latin American Fund	-	Available-for-sale financial assets	1	4,996	-	4,996	-	
Far Eastern Alliance Global Material and Energy Fund	-	Available-for-sale financial assets	-	6,220	-	6,220	-	

(Continued)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	<u>Bond</u>							
	Jih Sun Financial Bonds - 2004-1	-	Financial assets at fair value through profit or loss	80 piece	\$ 815,334	-	\$ 815,334	-
	Union Bank Financial Bonds 2004-1 (Issued by The Bank)	-	Financial assets at fair value through profit or loss	159 piece	544,973	-	544,973	-
	Union Bank Financial Bonds 2004-2 (Issued by The Bank)	-	Financial assets at fair value through profit or loss	55 piece	101,594	-	101,594	-
	Far Eastern International Bank Financial Bonds	-	Financial assets at fair value through profit or loss	30 piece	300,918	-	300,918	-
	Taishin Bank Financial Bond 2003-1-5 D Issue	-	Financial assets at fair value through profit or loss	20 piece	199,937	-	199,937	-
	Taishin Bank Financial Bonds 2003-1-6 B Issue	-	Financial assets at fair value through profit or loss	30 piece	299,186	-	299,186	-
	Union Bank Financial Bonds 2006-1 (Issued by The Bank)	-	Financial assets at fair value through profit or loss	-	9,973	-	9,973	-
	China Development Financial Bonds 2005-1	-	Financial assets at fair value through profit or loss	15 piece	150,022	-	150,022	-
	Taishin Bank Financial Bonds - 2003-1	-	Financial assets at fair value through profit or loss	10 piece	102,185	-	102,185	-
	Jih Sun Financial Bonds - 2005-1	-	Financial assets at fair value through profit or loss	5 piece	51,015	-	51,015	-
	Transcend Convertible Bonds	-	Financial assets at fair value through profit or loss	2,500 piece	2,500	-	2,500	-
	China Airline Convertible Bonds 2004	-	Financial assets at fair value through profit or loss	20,000 piece	20,000	-	20,000	-
	China Airline Convertible Bonds 2004	-	Financial assets at fair value through profit or loss	10,000 piece	10,000	-	10,000	-
	Nan Ya Plastics Corporate Bonds	-	Financial assets at fair value through profit or loss	-	189,818	-	189,818	-
	Formosa Plastics Corporate Bond	-	Financial assets at fair value through profit or loss	-	47,644	-	47,644	-
	Cathay United Bank Financial Bonds - 2005-2	-	Available-for-sale financial assets	10 piece	100,153	-	100,153	-
	NAN YA Plastics Corporation Bonds 2003-1 A Issue	-	Available-for-sale financial assets	7 piece	34,982	-	34,982	-
	Yang Ming Marine Transport Corporation Unsecured Bond 2006-1 B Issue	-	Available-for-sale financial assets	10 piece	100,845	-	100,845	-
	China Development Financial Holding Corporation Unsecured Bond 2005-2A Issue	-	Available-for-sale financial assets	45 piece	450,001	-	450,001	-
	Chi Mei Corporation 1st Unsecured Bond 2005-1 D Issue	-	Available-for-sale financial assets	3 piece	30,072	-	30,072	-
	Formosa Plastics Corporation 1st Unsecured Bond 2006 Issue	-	Available-for-sale financial assets	-	302,668	-	302,668	-
	Far Eastern Textile 2nd Unsecured Bond 2008 Issue	-	Available-for-sale financial assets	-	202,269	-	202,269	-
	Nanya Technology Corporate Bond 2005-3 Issue	-	Available-for-sale financial assets	-	199,103	-	199,103	-
	Inotera Corporate Bonds - 2006-2	-	Available-for-sale financial assets	-	297,742	-	297,742	-
	Inotera Corporate Unsecured Bond 2006-1 Issue	-	Available-for-sale financial assets	-	495,390	-	495,390	-
	Formosa Plastics Corporation Unsecured Bond 2008-3 Issue	-	Available-for-sale financial assets	-	409,385	-	409,385	-

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Yang Ming Marine Transport Corporation Unsecured Bond 2006-1 A Issue	-	Available-for-sale financial assets	-	\$ 148,431	-	\$ 148,431	-
	Taiwan Mobile 2nd Unsecured Bonds	-	Available-for-sale financial assets	-	205,297	-	205,297	-
	Mega Holdings 2nd Unsecured Bond 2007 Issue	-	Available-for-sale financial assets	-	202,601	-	202,601	-
	Mega Holdings 2nd Unsecured Bond 2007 Issue	-	Available-for-sale financial assets	-	197,169	-	197,169	-
	Yuanta Financial Holdings Bonds 2008-1	-	Available-for-sale financial assets	-	101,279	-	101,279	-
Union Information Technology Corporation	<u>Stock</u> Jin Shang Chang Development Co., Ltd.	-	Available-for-sale financial assets	-	1	-	1	-
	ELTA Technology Co., Ltd.	-	Unquoted equity instruments	2,000	17,132	16.33%	22,891	Note 4
	eBizServe, Inc.	-	Unquoted equity instruments	825	3,066	8.25%	6,211	Note 4
Union Finance International (HK) Limited	<u>Bond</u> HBOS Capital Funding LP	-	Available-for-sale financial assets	900 piece	US\$ 395	-	US\$ 395	-
	Wash Mutual PFD Funding	-	Available-for-sale financial assets	900 piece	US\$ 346	-	US\$ 346	-
	Penn West Energy	-	Available-for-sale financial assets	29 piece	US\$ 322	-	US\$ 322	-
	<u>Stock</u> ING Group N.V.	-	Available-for-sale financial assets	33	US\$ 439	-	US\$ 439	-
	Applied Materials Inc.	-	Financial assets at fair value through profit or loss	3	US\$ 249	-	US\$ 249	-
	Merck & Co., Inc.	-	Financial assets at fair value through profit or loss	12	US\$ 356	-	US\$ 356	-
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US\$ 191	-	US\$ 191	-
Union Insurance Broker Company	<u>Stock</u> Asus Computer Corp.	-	Available-for-sale financial assets	21	764	-	764	-
	Protop Technology Co., Ltd.	-	Available-for-sale financial assets	1	-	-	-	-
New Asian Ventures Ltd.	<u>Stock</u> 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\$ 2,233	Note 3
	Medinox Inc.	-	Unquoted equity instruments	403	US\$ 350	1.23%	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:

- WI Haper Group and ERA Communications Co., Ltd. and Yung Li Securities Co., Ltd. - audited stockholders' equity as of December 31, 2007.
- Union Bills Finance Corporation - the audited stockholders' equity as of December 31, 2008.

Note 2: Union Bills Finance Corporation had investments in Taiwan Depository & Clearing Corporation - the audited stockholders equity as of December 31, 2008

Note 3: New Asian Ventures Ltd.:

- a. Medinox Inc. - unaudited stockholders' equity as of June 30, 2008.
- b. Grace Thw Holding Limited - audited stockholders equity as of December 31, 2007.

Note 4: Except above, other companies - unaudited stockholders' equity as of December 31, 2007.

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, 2008
 (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	Morgan Stanley Union Bank Asset Management Corporation	Equity-method investee	\$644,025	Unsuitable for financial institution	None	Unsuitable	None	None

Note: Receivables were from sale of nonperforming loans to Morgan Stanley Union Bank Asset Management Corporation as of June 27 and September 20, 2006.

UNION BANK OF TAIWAN**FINANCIAL ASSET SECURITIZATION
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)**

Special Purpose Trust (SPT)

In November 2005, the Union Securities Investment Trust Corporation (USITC) 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 beneficiary securities, i.e., the beneficiary 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 beneficiary securities. The amount of this appropriation was based on the calculation of credit agency. After assessing the recoverable amount of the cash flow reserve, USITC recognized loss allowances of \$1,218 thousand and of \$26,193 thousand as of December 31, 2008 and 2007, respectively. The security issuance expenses were \$12,239 thousand in 2008 and \$2,489 thousand in 2007.

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 structure bonds in the asset pool was not paid on time. On November 21, 2008, the special-purpose trust terminated the issuance of revolving beneficiary 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 beneficiary securities to debt receivable.

TABLE 4

UNION BANK OF TAIWAN

ASSET QUALITY

DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2008					December 31, 2007								
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	\$ 1,072,003	\$ 34,215,928	3.13%	\$ 2,865,895	58.22%	\$ 1,119,333	\$ 42,383,195	2.64%	\$ 2,173,285	43.74%				
	Unsecured	1,603,040	25,015,959	6.41%			1,555,161	30,073,837	5.17%						
Consumer Banking	Housing mortgage (Note 4)	858,804	110,149,766	0.78%			811,799	118,455,726	0.69%						
	Cash card	51,097	1,333,339	3.83%			90,554	2,113,454	4.28%						
	Small scale credit loans (Note 5)	1,004,392	3,277,605	30.64%			880,293	4,136,338	21.28%						
	Other (Note 6)	Secured	96,771	858,400			11.27%	122,215	1,013,535			12.06%			
Unsecured		236,347	6,610,975	3.58%			389,079	8,769,362	4.44%						
Deposits and Remittances	Certificates of deposit	-	1,322,078	-			-	751,424	-						
Loan		4,922,454	182,784,050	2.69%			2,865,895	58.22%	4,968,434			207,696,871	2.39%	2,173,285	43.74%
		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		\$ 584,633	\$ 20,744,565	2.82%	\$ 542,413	92.78%	\$ 628,185	\$ 26,619,791	2.36%	\$ 2,159,272	343.73%				
Factoring accounts receivable without recourse (Note 7)		-	-	-	-	-	-	-	-	-	-				
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)		632,883					787,987								
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)		2,670,815					4,124,834								
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans (Note 9)		27,862					-								
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming receivable (Note 9)		376,111					-								

- 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: $\text{Nonperforming loans} \div \text{Outstanding loan balance}$.
Ratio of nonperforming credit card receivables: $\text{Nonperforming credit card receivables} \div \text{Outstanding credit card receivables balance}$.
- Note 3: Coverage ratio of loans: $\text{Allowance for possible losses for loans} \div \text{Nonperforming loans}$.
Coverage ratio of credit card receivables: $\text{Allowance for possible losses for credit card receivables} \div \text{Nonperforming credit card receivables}$.
- 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.
- Note 8: 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 9: Amounts of 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).

TABLE 5

UNION BANK OF TAIWAN

INFORMATION OF AND PROPORTIONATE SHARE IN INVESTEES

YEAR ENDED DECEMBER 31, 2008

(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	
<u>Financial - related</u>										
Union Bills Finance Co.	Taipei	Bills finance	42.76%	\$ 1,152,724	\$ (159,869)	166,581	-	166,581	56.43%	Note
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00%	1,035,276	13,272	100,000	-	100,000	100.00%	Note
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99%	81,992	(4,056)	30,001	-	30,001	100.00%	Note
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00%	40,698	(68,988)	11,951	-	11,951	39.84%	Note
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00%	30,112	10,919	500	-	500	100.00%	Note
Morgan Stanley Union Bank Asset Management Corporation	Taipei	Purchase, sell and manage nonperforming loans from financial institution; does accounts receivable factoring	49.00%	-	(74,778)	1,323	-	1,323	49.00%	Note
Taiwan Asset Management Corporation	Taipei	Purchase, sell and manage nonperforming loans from financial institution	0.57%	100,000	6,716	10,000	-	10,000	0.57%	
Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94%	50,000	-	5,000	-	5,000	2.94%	
Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53%	43,935	-	3,942	-	3,942	0.53%	
Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44%	3,864	111	386	-	386	6.44%	
Entie Securities Finance Co.	Taipei	Securities finance	12.15%	492,298	-	65,206	-	65,206	12.15%	
Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81%	2,113	509	160	-	160	0.81%	
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99%	72,412	(515)	5,000	-	5,000	99.99%	Note
Financial Information Service Co., Ltd.	Taipei	Information service	2.39%	118,782	16,281	9,577	-	9,577	2.39%	
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.08%	4,639	302	247	-	247	0.08%	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04%	71,250	4,483	4,783	-	4,783	2.04%	
<u>Non-financial related</u>										
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00%	66,160	14,806	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%	10,558	-	1,917	-	1,917	5.00%	
Li Yu Venture Corporation	Taipei	Investment	4.76%	13,619	-	1,216	-	1,216	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	-	1	-	1	-	
VISA	U.S.A.	Credit card	-	331,342	-	235	-	235	-	

Note: The information of investee company shown above are based on audited financial reports as of December 31, 2008.

