

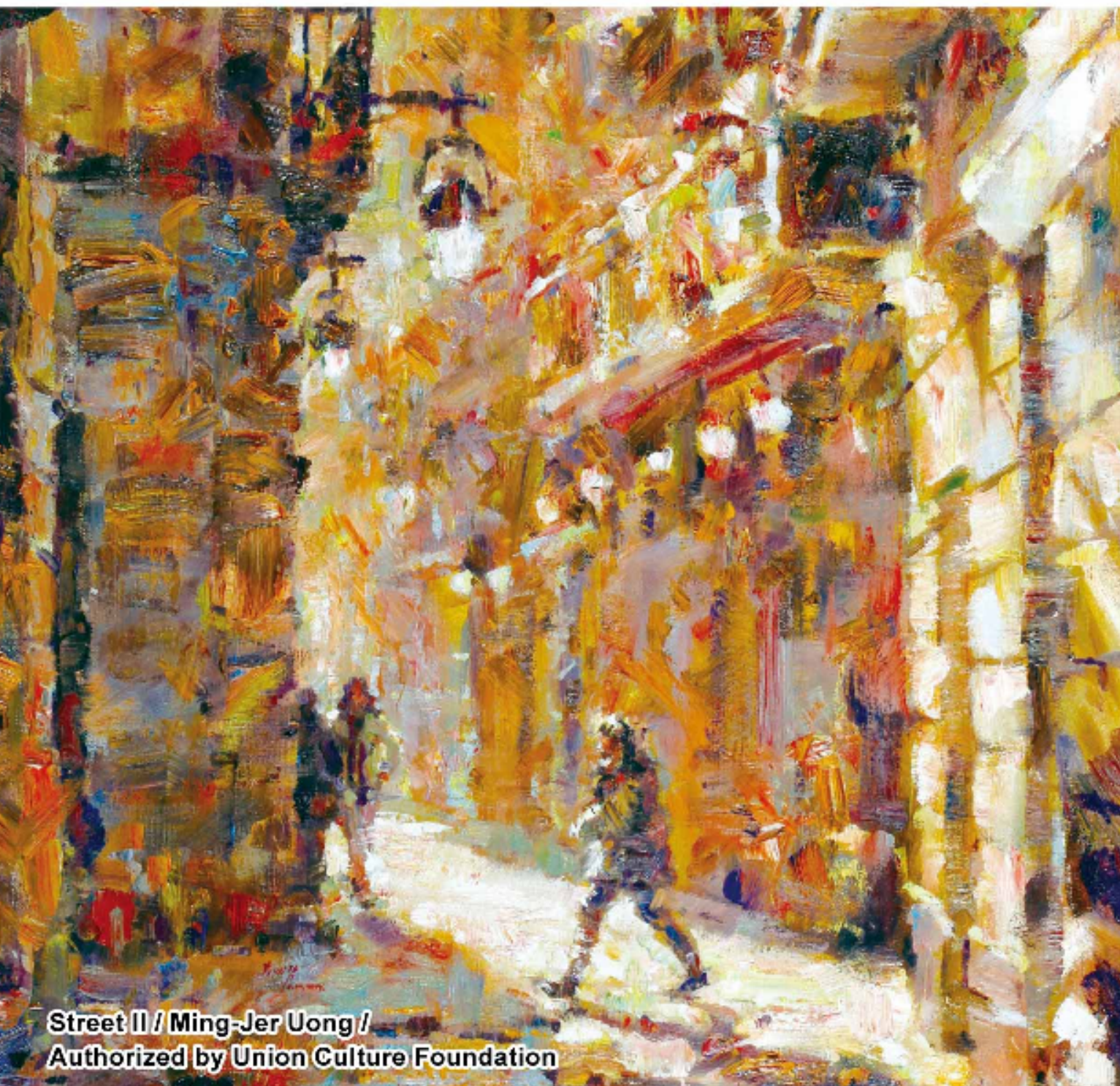
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This Annual Report may be accessed on the Market Observation Post System (<http://newmops.tse.com.tw>) and on the Bank's Website (<http://www.ubot.com.tw>)

The English version of annual report is a brief translation and is not part of official document of the shareholders' meeting.

The Chinese version shall prevail if there is any difference between these two.

2009 Annual Report





I. Spokesman

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

Tel.: 02-27180001

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. Addresses and telephone numbers of the Head Office/Domestic Branch:
Please refer to page 80 ~ 82.**

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. Terence Huang / Mr. Ray Chang

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 securities exchange company and inquiring method of securities information:
None**

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

Letter to Shareholders	01
Bank Profile	03
Corporate Governance	04
1. Organization Structure	04
2. Information on Directors, Supervisors and Executive Officers	07
3. Execution of Corporate Governance	23
4. Information on CPA Professional Fee	30
5. Information on Replacement of CPA	30
6. Independence Information of Auditors	30
7. Changes in Shareholding	30
8. Information on Top 10 Shareholders Being the Related Parties	33
9. Ownership of Investee Companies	34
Fund Raising Status	35
1. Capital and Share	35
2. Issuance of Financial Debentures	38
3. Issuance of Preferred Stock	39
4. Overseas Depository Receipts, Employee Stock Option	40
5. Acquisitions or Disposition of Other Financial Institution	40
6. Fund Utilization Plan and Execution Status	40
Operational Highlights	41
1. Business Description	41
2. Employee Analysis	47
3. Corporate Social Responsibility and Contribution	48
4. Facilities of Information Technology	50
5. Labor and Owner Relations	51
6. Major Contracts	51
7. Securitized Financial Commodities and relevant information	52
Financial Highlights	53
1. Condensed Balance Sheets, Income Statements and Auditors' Opinions	53
2. Financial Analysis and Capital Adequacy Ratio	55
3. Supervisors' Report for the 2009 Financial Statements	61
4. Financial Statements for 2009	61
5. Audited Consolidated Financial Statements for 2009	61
6. Financial Difficulties Experienced by the Bank and Its Affiliated Enterprises	61
Analysis of the Financial Status and Operating Results & Risk Management	62
1. Financial Status	62
2. Results of Operation	63
3. Cash Flow	63
4. The Impact of Major Capital Expenditures in 2009 on the Bank's Financial & Business Operations	64
5. Reinvestment Plans	64
6. Risk Management	65
7. Contingency Plan	76
8. Other Important Matters	76
Special Notes	77
1. Information on Affiliated Enterprises	77
2. Private Placement of Securities	79
3. Shares Acquired or Disposed of by Subsidiaries	79
4. Other Necessary Supplements	79
5. Details of any event with material impact on shareholders' equity or the share price	79
Bank Directory	80
Appendix 1: Financial Statements for 2009	

The economic condition for the first half year of 2009 was greatly affected by the 2008 global financial crisis which caused the economic growth rate to decline. Starting from the third quarter, the global economy has stabilized, and the overseas and domestic trading has shown improvement. The expansion and the increase of equipment utilization rate for the manufacturing industry also indicate signs of recovery. In addition, the Central Bank has ceased its policy of lowering interest rates as announced in the second half year of 2008, which helped the banks' development in loans and wealth management, etc.

As for the wealth management, our revenue was seriously affected by largely reduced investment which was caused by the inappropriate sales dispute, financial crisis and the depression of the first half year in 2009. Nevertheless, starting from the third quarter of 2009, the wealth management business, along with the recovering global economy, the settling dispute of structured products and revising sound regulations, is expected to turn to the bank's major source of profit earning again.

The Bank's operating results, budget execution, financial conditions and profitability, and credit rating for the year of 2009, and its business plan for 2010, external operating factors and future development strategies etc. are summarized as follows:

1. 2009 Operating Results

As a result of the team effort of our bank staff, average balance of deposits totaled NT\$290,584 million for the year, which was 97.40% of the yearly target of NT\$298,345 million and a decrease of NT\$1,266 million or 0.43% decrease over NT\$291,850 million for 2008. Average balance of loans for NT\$167,055 million was 93.74% of the yearly target of NT\$178,220 million and was a decrease of NT\$21,569 million or a 11.43% decrease over that attained in 2008. Foreign exchange volume was US\$5,633 million which topped the annual target of US\$4,693 million and was an increase of US\$732 million or a 14.94% growth over that achieved a year ago.

2. Financial Condition & Profitability

Net income for 2009 was \$6,670 million while bad debt expense and operating expenses were \$1,359 million and \$4,635 million, respectively. Net profit after tax for 2009, after deducting income tax expense of \$420 million, was NT\$256 million.

3. Credit Rating

Taiwan Ratings Corporation (henceforth "TRC"), under its continuous observation, gave its positive recognition on the Bank's overall operating results. TRC announced on December 31, 2009 the Bank's long and short-term ratings to stand at twA- and twA-2, respectively. However, the 'Negative' outlook reflects that the Bank's business and asset quality were impacted by the industry competition and the changing environment.

4. 2010 Business Plan

(1) Union Bank of Taiwan will merge Union Bills Finance Corporation through issuing new shares in 2010 to effectively consolidate business resources, improve financial structure and increase capital scale to strengthen capital adequacy ratio which helps to integrate the Bank's capital and business resource and improve the Bank's competitiveness in the market. There will also be a capital reduction of NT\$5,651,624,400 to adjust for the losses over the years.

By covering the losses through capital reduction and increasing capital by issuing new shares related to the acquisition of Union Bills Finance Corporation, our capital structure will be significantly improved. Meanwhile, the management efficiency will be enhanced through merging and integrating business resources which will also be helpful for our business development.

(2) Development guidelines:

- A. The Bank has reopened 13 branched which was closed under Chung Hsin Bank operation. By merging with Union Bills Finance Corporation and its 3 branches, the Bank will reach a total of 90 branches in June 2010. We will target on developing business in all aspects and fully utilize the benefit of the channel efficiency to expand business and increase profit.
- B. In terms of the capital structure, the Bank will focus on expanding businesses in demand deposits and personal time deposits as well as improving interest rate sensitive asset and liability management and reducing liquidity risk in order to readjust deposit structure and increase interest rate spread.
- C. The Bank will promote corporate finance and prioritize those pledged with real estate or quality stocks, improve tracking of loans, enhance the operation procedure of unusual situations in order to control and manage NPL whilst maintaining a balanced level of risk and return.
- D. Promoting mortgage campaigns constantly to remain the Bank's mortgage and market share and also increase process fee income.
- E. With respect to credit card business, the Bank will propose marketing campaigns to target on various groups and focus on different themes and needs to increase card holders' loyalty and exposure which shall increase credit profits.
- F. The bank will implement the practice of 'lobby in-charge' and boost its employees' expertise through constant training and education.

(3) Expected business targets of 2010

- A. 20% growth in deposit balance to NTD350 billion at the end of the year.
- B. 20% growth in loan balance to NTD201.2 billion at the end of the year.
- C. Foreign currency exchange volume to reach USD5,947 million.
- D. Business performance related indexes such as ratios of nonperforming loans to fall by 1.5%, bad debts recoveries to increase by 60% and BIS ratio to increase by 10%.

5. External Factors & Future Development Strategies

According to the estimate of OECD, the global economy prospect turns positive. Most countries have gone through the worst situation. Financial industry of Taiwan has less impact from the financial tsunami comparing to the western countries. It is also expected that the risk of short term bad debt will be reducing gradually due to uplift of capital investment return rate and recovery of global financial environment.

To cope with the upcoming diversified challenges, we will target on the major business categories such as SME loans, consumer banking and wealth management pursuant to its development strategies, and enhance our competitiveness, upgrade our 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 2009 and Current Year Up to the Printing Date of the Annual Report

The bank has subsidiaries such as Union Bills Finance Corporation, Union Finance & Leasing International Corporation, Union Securities Investment Trust Co., Ltd., Union Insurance Brokers Co., Ltd., Union Information Technology Corp. and Union Finance Ltd.. Meanwhile, in order to effectively consolidate business resources and improve capital structure, the sixth board meeting of the seventh term held on December 17 2009 has resolved to reduce capital to make up the loss, and issue new shares by mergering with Union Bills Finance Corporation .

3. Form of Organization

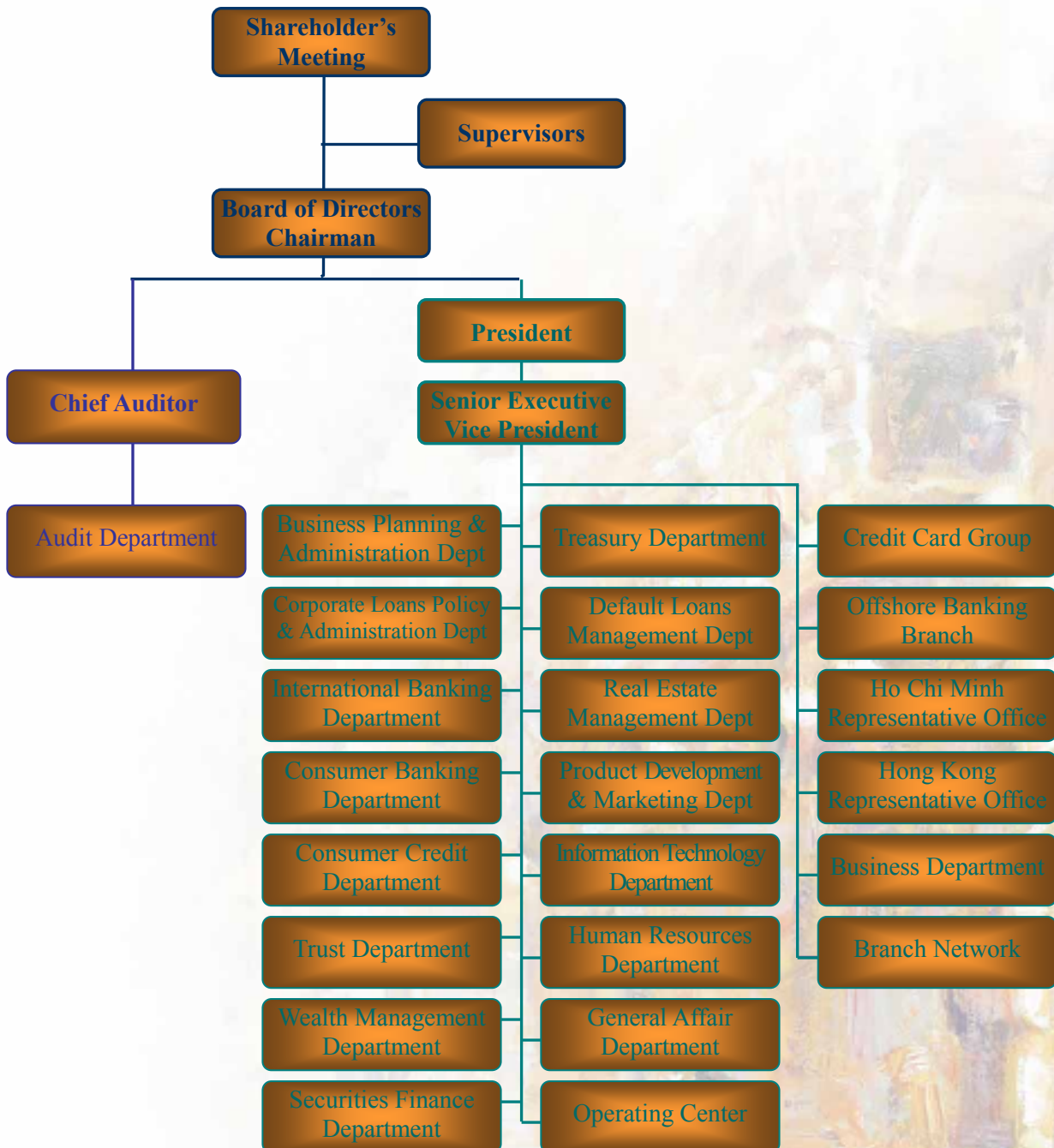
The Bank is a commercial bank limited by shares. Meanwhile, the Bank is not a member of a financial holding company.

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 2009. There was no major transfer or change in shareholding of directors, supervisors or persons required to register such change pursuant to Article 25-3 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 review of credit applications.

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.

2. Information on Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors

A. General Information

Feb.23, 2010

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	2009.06.19	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	-	-	-	
Independent Managing Director	Kao-Jing Wang	2009.06.19	3 Yrs	2009.06.19	-	-	-	-	Master Degree, University of North Dakota - SEVP, Bank of Taiwan	-	-	-	
Managing Director	Zhen-Xong Jiang	2009.06.19	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.	-	-	-
Independent Director	Zen-Fa Lu	2009.06.19	3 Yrs	2009.06.19	-	-	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute - Prosecutor General of Supreme Prosecutors Office	-	-	-	
Director	Jin-Fu Liu	2009.06.19	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	Yu-Quan Lee	2009.06.19	3 Yrs	2009.06.19	3,505,303 0.151%	3,505,303 0.151%	-	-	National Taiwan Normal University - Supervisor of First Commercial Bank	Chairman of TWT Communication Corp. Director of Yu-Quan Development Co., Ltd., Director of Taiwan 1 st Multiple Media Co., Ltd. Chairman of Tien-How Construction Co., Ltd.	-	-	-
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	2009.06.19	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	Supervisor of Union Recreation Enterprise Corp. Director of Union Bills Finance Corp. Director of The Liberty Times Managing Director of Union Dyeing and Finishing Co., Ltd.;	Director	Sue-Ere C. Lin	Mother & Son
Director	Chung-Li Investment Co., Representative: Yao-Nan Lai	2009.06.19	3 Yrs	1994.06.01	35,454,283 1.942%	198,454,283 8.558%	609,166 0.026%	-	National Taiwan University - Chairman of Union Bills & Finance Corp	-	-	-	

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	Chung-Li Investment Co., Representative: Sue-Feng Tsao	2009.06.19	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 Chung-Li Investment Co., Ltd. Supervisor of Union Realestate Management Corp. Director of Tien-Sheng Investment Co., Ltd.	-	-	-
Resident Supervisor	Yu-Pang Co., Ltd., Representative: Jia-Yi Wang	2009.06.19	3 Yrs	1994.06.01	18,962,581 0.818%	18,962,581 0.818%	- -	-	Judicial Training Program, The Judges and Prosecutors Training Institute President of Supreme Court	-	-	-	-
Supervisor	Pao-Hsing Investment Co., Ltd. Representative: Zhen-Lu Lin	2009.06.19	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	Si-Yong Lin	2009.06.19	3 Yrs	1991.12.10	16,934,581 0.730%	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 Realestate Management Corp., Director of Yo-Jia Technology Co., Ltd. hairman of Green Island Hotel Co., Ltd., Director of Sun-Che Investment Co., Ltd. Director of Jen-Yo Investment Co. Ltd., Director of Yeh-Shan Construction Co., Ltd., Director of Chu-Pao Investment Co., Ltd., Director of Pai-Sheng Investment Co., Ltd., Director of Union Realestate Management Corp., Director of Union Dyeing and Finishing Co., Ltd., Director of EnTai Securities Finance Co., Ltd., Supervisor of Lung Shan Lin Enterprise Co., Ltd., Director of Hong-Bung Construction Enterprise Co., Ltd., Person in charge of Ren-Shun Café	-	-	-

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, Rong-San Lin, & Jeff Lin
Chung-Li Investment Co., Ltd.	Sue-Feng Tsao, 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
Pao-Hsing Investment Co., Ltd.	Chiu-Tze Lin, Chuan-Jong Chang, Chiao-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)			Independent Status (Note 2)										Serving as an independent director of other public companies	
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
Shiang-Chang Lee			√			√	√	√			√	√	√	√	-
Kao-Jing Wang			√	√	√	√	√	√	√	√	√	√	√	√	-
Zhen-Xong Jiang			√	√		√	√	√			√	√	√	√	-
Zen-Fa Lu		√	√	√	√	√	√	√	√	√	√	√	√	√	-
Jin-Fu Liu			√	√	√	√	√	√			√	√	√	√	-
Yu-Quan Lee			√	√	√	√	√	√	√	√	√	√	√	√	-
Jeff Lin			√			√		√			√		√	√	-
Yao-Nan Lai			√	√	√	√	√	√	√	√	√	√	√	√	-
Sue-Feng Tsao			√	√	√	√	√	√	√	√	√	√	√	√	-
Jia-Yi Wang		√	√	√	√	√	√	√	√	√	√	√	√	√	-
Zhen-Lu Lin			√	√	√	√	√	√	√	√	√	√	√	√	-
Si-Yong Lin			√	√	√	√	√				√	√	√	√	-

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

- (1): Instructor, or higher up, of a public or private junior college, college or university, in Business, Law, Finance, Accounting or other departments as required by corporate business.
- (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): 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): Not a spouse or within second-degree relation or fifth-degree immediate relation to any person specified in the preceding three criteria.
- (5): 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): 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): 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): Not a spouse or within second-degree relation to other directors.
- (9): Not a person under the circumstances specified in Article 30 of the R.O.C. Company Act.
- (10): Not a government agency, juristic person or its representative pursuant to Article 27 of the R.O.C. Company Act.

D. Directors' and Supervisors' Training Record

Title	Name	Date of Training		Organizer	Course Name	Hours
		From	To			
Chairman	Shiang-Chang Lee	2009.03.06	2009.03.06	Taiwan Securities Exchange	2009 Forum of enterprise's social responsibilities and sustainable investment	3
		2009.05.15	2009.05.15	Trust Association of R.O.C.	Seminar of development experience and prospect of Hong Kong structured products	6
Director	Kao-Jing Wang	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Director	Zhen-Xong Jiang	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Director	Zen-Fa Lu	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Director	Jin-Fu Liu	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Director	Yu-Quan Lee	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Director	Jeff Lin	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Director	Yao-Nan Lai	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Director	Sue-Feng Tsao	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Supervisor	Jia-Yi Wang	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
Supervisor	Zhen-Lu Lin	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	3
		2009.08.14	2009.08.14	Trust Association of R.O.C.	Seminar of trust laws revision in Japan	3
Supervisor	Si-Yong Lin	2009.07.06	2009.07.06	Taiwan Academy of Banking & Finance	Seminar of practical operation and management for board of directors and supervisors	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 0.240%	- -	- -	Master Degree, National Taiwan University - SEVP of UBOT	Supervisor of Union Recreation Enterprise Corp. Director of Union Bills Finance Corp. Director of The Liberty Times Executive Director of Union Dyeing and Finishing Co., Ltd.	-	-	-
SEVP	Hao-Sen Lee	1999.08.01	223,847 0.010%	25,220 0.001%	- -	- Chinese Culture University; - EVP of UBOT	Director of Union Bill Finance Corp. Director of Union Finance & Leasing (International) Co., Ltd. Director of Union Information Technology Co., Ltd.	-	-	-
SEVP	Herman Tu	2006.07.01	176,567 0.008%	- -	- -	- Chinese Culture University; - EVP of UBOT	Director of Union Finance & Leasing (International) Co., Ltd.	-	-	-
SEVP	Yin-Bor Chan	2006.07.01	312,264 0.013%	- -	- -	- Tamkang University; - EVP of UBOT	Director of Union Bills Finance Corp. Supervisor of Union Finance & Leasing (International) Co., Ltd.	-	-	-
Chief Auditor	Yen-Jye Chang	1995.07.01	141,530 0.006%	3,038 -	- -	- 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.	-	-	-	-
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 Hsinchung Branch	-	-	-	-
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.	-	-	-
VP & GM of Consumer Banking Dept.	Kuo-Shien Shia	2005.06.27	- -	10,000 -	- -	- 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 -	- -	Chung Yuan Christian University - VP & GM of Business Planning & Admin. Dept of UBOT	Supervisor of EbizPrise Inc.	-	-	-

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 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	-	-	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.	Yao-Tsung Kao	2009.04.01	18,697 0.001%	-	-	Soochow University - VP & Branch Manager of Fucheng Branch	-	-	-	-
VP & GM of Real Estate Administration Dept.	Michael Lee	2004.03.05	24,638 0.001%	-	-	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	-	-	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.	-	-	-
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	2,144	-	- 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 Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd. Director of Li-Yu Venture Co. & Euroc III Venture Capital. Corp. Supervisor of Union Information Technology Co., Ltd.	-	-	-
VP & GM of Business Dept.	Lin-Sheng Yu	2008.05.05	5,000	-	-	National Taiwan Ocean University - VP & Branch Manager of Luchou Branch	-	-	-	-

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
EVP & Branch Manager of Taipei Branch	Chi-Pin Chen	2009.04.01	503	-	-	National Cheng Chi University- Open Junior College of Commerce - VP & Branch Manager of Panchiao Branch	-	-	-	
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	-	-	-	
VP & Branch Manager of Chungli Branch	Chang-Yung Chen	2000.08.23	120,727 0.005%	-	-	National Taipei College of Commerce- Open Junior College of Commerce - VP & Branch Manager of Neili Branch	-	-	-	
VP & Branch Manager of Sanchung Branch	Steven Huang	2007.06.01	10,731	-	-	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	Zong-Hui Huang	2008.06.01	-	-	-	Feng Chia University - Manager of Kaohsiung Corporate Banking Center of UBOT	-	-	-	
VP & Branch Manager of Panchiao Branch	Wei-Hsiung Liao	2009.04.01	-	-	-	Chungyu Institute of Technology - VP & Deputy Branch Manager of Taipei Corporate Banking Center of UBOT	-	-	-	
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	Wendy Chi	2009.11.16	45,771 0.002%	-	-	Master Degree, University of Texas - VP & Branch Manager of Kungkuan Branch	-	-	-	

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 Nankan Branch	Ching-Chung Lin	2006.07.01	112,140 0.005%	-	-	- Chinese Culture University - VP & Branch Manager of Tatze Branch	-	-	-	
VP & Branch Manager of Hsinchu Branch	Liu-Ling Hung	2009.12.06	-	-	-	- Tunghai University; - Manager of Standard Chartered Bank	-	-	-	
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 Chiujou 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	-	- Feng Chia University - VP & Branch Manager of Hsieh Branch	-	-	-	
VP & Branch Manager of Hueilong Branch	Ru-Ji Cheng	2004.03.05	623	-	-	- 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 Kungkuan Branch	Simon Wang	2009.11.16	1,778	-	-	- Master Degree, National Cheng Chi University; - VP & Branch Manager of Chungho Branch	-	-	-	
VP & Branch Manager of Neili Branch	Han-Chou Chiu	2009.12.01	638	-	-	- Longhua Technological Academy - VP & Branch Manager of Lungtan 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	-	-	-	

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	Ching-An Chen	2009.12.01	11,294 -	- -	-	Master Degree, National Central University - VP & Deputy Branch Manager of Neili 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 -	- -	-	- Chihlee Institute of Technology - Chief of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Chungshan Mini Branch	Li-Jen Wong	2006.12.01	897 -	- -	-	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 Chienshin Branch	Tawei Shih	2009.12.06	- -	- -	-	Master Degree, Tamkang University; - VP & Branch Manager of Hsinchu Branch	-	-	-	
VP & Branch Manager of Chungho Branch	Wu-Lien Peng	2009.11.16	206,741 0.009%	12,402 0.001%	-	National Taipei College of Commerce- Open Junior College of Commerce - VP & Branch Manager of Jenai Branch	-	-	-	
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	Chi-Shih Wei	2009.04.07	- -	- -	-	- Feng Chia University; - Manager of Standard Chartered Bank	-	-	-	
VP & Branch Manager of Yungho Branch	Hsiu-Yun Su	2005.03.19	- -	- -	-	Master Degree, Dallas Baptist University - Manager of Chung Shin Bank	-	-	-	

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 Chungkung Mini Branch	Wen-Chien Chien	2001.01.15	32,687 0.001%	-	-	Ming Chuan College; VP & Deputy Branch Manager of Chunghsiao Branch	-	-	-	
VP & Branch Manager of Tonghwa Mini Branch	Mei-Lan Lin	2007.10.01	1 -	-	-	Soochow University; AVP & Division Head of Consumer Credit Dept.	-	-	-	
VP & Branch Manager of Shihtung Mini Branch	Kuang-Han Liu	2009.12.01	- -	-	-	National Taipei College of Commerce Chief of Consumer Banking Dept.	-	-	-	
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 -	713 -	-	National Cheng Chi University; AVP of Business Planning & Admin Dept.	-	-	-	
VP & Branch Manager of Wenlin Mini Branch	Yu-Ling Kuo	2008.11.01	115,879 0.005%	-	-	Takming College VP & Deputy GM of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Tungmen Branch	Jimmy Chou	2007.06.11	799 -	-	-	Soochow University; VP & Deputy GM of Consumer Banking Dept.	-	-	-	
VP & Branch Manager of Tunhwa Branch	Shen-Yung Peng	2005.03.19	7,529 -	1,031 -	-	Ching Yun University; Chief of National Cash Card Dept.	-	-	-	

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 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.	-	-	
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. Chungho Mini Branch	Che-Ming Hsu	2001.01.15	24,000 0.001%	6,724	-	National Taipei College of Commerce- Open Junior College of Commerce VP & Branch Manager of Yungho 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	Ren-Rong Hsu	2009.12.01	-	-	-	National Taipei College of Commerce- Open Junior College of Commerce AVP of Jenai Branch	-	-	-	
VP & Branch Manager of Hsichih Branch	Chean-Han Pan	2008.05.05	393	-	-	Aletheia University; Chief of Consumer Banking Dept.	-	-	-	
VP & Branch Manager 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 Liu	2007.11.05	126,789 0.005%	-	-	Graduate School of Dayeh University VP & branch manager of Taichung Branch	-	-	-	

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 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	10,640	-	-	- Feng Chia University - AVP Manager of Wenshin Branch	-	-	-	
VP & Branch Manager of Beitun Branch	Chien-Tsung 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	-	- Master Degree, Chiayi University; - AVP of National Cash Card Dept.	Supervisor of Zhong-Guan Foods Enterprise Co., Ltd.	-	-	
VP & Branch Manager of Fucheng Branch	Hsien-Ming Yen	2009.04.01	-	-	-	Feng Chia University; - VP & Branch Manager of S. Tainan 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-	-	-	Kuochi 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	Yu-Show Hsu	2009.04.01	12,402 0.001%	-	-	- Kun Shan University; - AVP of Tainan Branch	-	-	-	
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 Chiujun Branch	-	-	-	

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 Sanmin Branch	Tzi-Yuan Tsai	2009.08.01	3,000 -	- -	-	- Tamkang University - AVP of Kaohsiung Branch	-	-	-	
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	-	-	-	
VP & Branch Manager of Hoping Branch	Ching-Ming Huang	2009.11.01	69,557 0.003	- -	-	Chung Yuan Christian University - Chairman of Union Information Technology Co., Ltd.	Director of Chiao Da Venture Capital Co., Ltd.	-	-	
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-Ju Tsai	2009.01.01	2,492 -	891 -	-	Soochow University - Special Assistant of Administration	-	-	-	
VP & Branch Manager of Ankang Branch	Chan-Kwei Chen	2009.12.01	38,000 0.002%	- -	-	Feng Chia University - VP & Branch Manager of Shihtung 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	6,000 -	- -	-	National Taipei College of Commerce- Open Junior College of Commerce - VP & Deputy Branch Manager of Taipei Corporate Banking Center	-	-	-	
VP & Branch Manager of Wugu Branch	Chao-Chuen Chuang	2009.11.01	- -	- -	-	- Master degree, Fo Guang University - Manager of Wugu Branch	-	-	-	
VP & Branch Manager of Gaorong Branch	Rong-Hsiang Chung	2009.12.11	- -	- -	-	- Feng Chia University - Manager of Standard Chartered Bank	-	-	-	

(3) Remuneration of Directors, Supervisors, President and SEVP for the Most Recent Year

A. Director’s Remuneration

Unit: NT Thousand Dollar; December 31, 2009

Title	Name	Directors’ Remuneration					Remuneration of Part-time Employees										Total of (A, B, C, D, E, F & G) as a % of Net profit after tax		Remuneration from Investee Companies Excluding Subsidiaries			
		Remuneration (A)	Termination payment and pension costs (B)	Director’s Remuneration (C)	Costs Incurred to Perform Duties (D)	Total of (A, B, C and D) as a % of Net profit after tax	Allowance (E)	Salaries, Bonus and Special Allowance (F)	Termination payment and pension costs (F)	Employees’ Bonus (G)	Earnings Distribution for Employees’ Bonus (G)	Earnings Distribution for Employees’ Bonus (G)	Total No. of Shares Issued for Employee Stock Option (H)	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement						
														The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement					
Chairman	Shiang-Chang Lee																					
Independent Managing Director	Kao-Jing Wang																					
Managing Director	Zhen-Xong Jiang																					
Independent Director	Zen-Fa Lu																					
Director	Jin-Fu Liu																					
Director	Yu-Quan Lee ^{Note 1}																					
Director Union Enterprise Construction Co., Ltd.	Representative: Jeff Lin	6,530	6,530	681	681	0	0	1,826	1,871	3.53%	3.55%	0	0	0	0	0	0	0	0	3.53%	3.55%	-
Director Chung-Li Investment Co.	Representative: Yao-Nan Lai																					
Director Chung-Li Investment Co	Representative: Sue-Feng Tsao																					
Resident Supervisor Yu-Pang Co., Ltd.	Representative: Jia-Yi Wang ^{Note 2}																					
Director	Si-Yong Lin ^{Note 3}																					
Director Union Recreation Enterprise Corp	Sue-Ere C. Lin ^{Note 4}																					

Note 1: Mr. Lee, the former supervisor, was elected as a director on June 19, 2009.

Note 2: Mr. Wang, the former managing director, was elected as a resident supervisor on June 19, 2009.

Note 3: Mr. Lin, the former director, was elected as a supervisor on June 19, 2009.

Note 4: Mrs. Lin was discharged on June 19, 2009.

Note 5: 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 2009. The actual payments have not been made.

Note 6: Remuneration to the driver amounted to NTS702 thousand.

Remuneration Range

Range of Remuneration Paid to Directors	Name of Directors			
	Total of A,B,C and D		Total of A, B,C,D, E,F & G	
	UBOT	All the Companies in the Consolidated Statemen	UBOT	All the Companies in the Consolidated Statemen
Less than NT\$ 2,000,000	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao, Jia-Yi Wang, Si-Yong Lin, Sue-Ere C. Lin	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao, Jia-Yi Wang, Si-Yong Lin, Sue-Ere C. Lin	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao, Jia-Yi Wang, Si-Yong Lin, Sue-Ere C. Lin	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao, Jia-Yi Wang, Si-Yong Lin, Sue-Ere C. Lin
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee
Total	12	12	12	12

B. Supervisor's Remuneration

Title	Name	Supervisors' Remuneration								Total of (A+B+C+D) as a % of Net profit after tax		Remuneration from Investee Companies Excluding Subsidiaries
		Remuneration (A)		Termination payment and pension costs (B)		Earning Distribution for Director's Remuneration (C)		Costs Incurred to Perform Duties (D)		UBOT	All Companies in the Consolidated Statement	
		UBOT	All Companies in the Consolidated Statement	UBOT	All Companies in the Consolidated Statement	UBOT	All Companies in the Consolidated Statement	UBOT	All Companies in the Consolidated Statement			
Resident Supervisor Yu-Pang Co., Ltd.	Representative: Jia-Yi Wang Note 1	424	424	0	0	0	0	450	450	0.34%	0.34%	-
Supervisor Pao-Hsing Investment Co., Ltd.	Representative: Zhen-Lu Lin											-
Supervisor	Si-Yong Lin Note 2											-
Resident Supervisor Yu-Quan Development Co., Ltd.	Representative: Yu-Quan Lee Note 3											-
Supervisor	Ming-Hsing Ho Note 4											-

Note 1 : Mr. Wang, the former managing director, was elected as a resident supervisor on June 19, 2009.

Note 2 : Mr. Lin, the former director, was elected as a supervisor on June 19, 2009.

Note 3 : Mr. Lee, the former supervisor, was elected as a director on June 19, 2009.

Note 4 : Mr. Ho was discharged on June 19, 2009.

Remuneration Range

Range of Remuneration Paid to Supervisors	Name of Supervisors	
	Total of A,B,C and D	
	UBOT	All the Companies in the Consolidated Statement
Less than NT\$ 2,000,000	Jia-Yi Wang, Zhen-Lu Lin, Si-Yong Lin, Yu-Quan Lee, Ming-Hsing Ho	Jia-Yi Wang, Zhen-Lu Lin, Si-Yong Lin, Yu-Quan Lee, Ming-Hsing Ho
Total	5	5

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

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	Cash Dividend	Stock Dividend	Consolidated Statement	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank		All Companies in the Consolidated Statement
President	Jeff Lin																
SEVP	Hao-Sen Lee																
SEVP	Herman Tu	12,727	12,727	1,769	1,769	3,002	3,092	0	0	0	0	6.84%	6.87%	0	0	-	
SEVP	Yin-Bor Chan																
Chief Auditor	Yen-Jye Chang																

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 2009. The actual payments have not been made.

Note 2 : Remuneration to 3 drivers amounted to NT\$1,688 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\$ 2,000,000	Jeff Lin	Jeff Lin
NT\$2,000,000 (inclusive) ~ NT\$5,000,000	Hao-Sen Lee, Herman Tu, Yin-Bor Chan, Yen-Jye Chang	Hao-Sen Lee, Herman Tu, Yin-Bor Chan, Yen-Jye Chang
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

- A. The total remuneration (excluding termination payment and pension costs) paid to Directors, Supervisors, the President, Senior Executive Vice Presidents and Chief Auditor (a total of 19 people) by the Bank and all companies included in the consolidation totaled NT\$25,673 thousand and NT\$29,093 thousand, respectively for 2008 and NT\$24,959 thousand and NT\$25,775 thousand, respectively for 2009. The respective ratios of the total remuneration to net income for the aforementioned personnels are 9.75% and 10.07% in 2009.
- B. 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 pursuant to 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 held 12 meetings in 2009.

The status of attendance is as follows:

Title	Name	No. of actual attendance	Proxy	% of actual attendance	Remark (Re-elected on June 19, 2009)
Chairman	Shiang-Chang Lee	12	0	100%	Re-elected
Independent Managing Director	Kao-Jing Wang	6	0	100%	New Appointment
Managing Director	Zhen-Xong Jiang	12	0	100%	Re-elected
Managing Director	Yu-Pang Co., Ltd. Representative: Jia-Yi Wang	6	0	100%	Former Appointment (Reappointed as Resident Supervisor)
Independent Director	Zen-Fa Lu	5	0	83%	New Appointment
Director	Jin-Fu Liu	5	0	42%	Re-elected
Director	Si-Yong Lin	6	0	100%	Former Appointment (Reappointed as Supervisor)
Director	Yu-Quan Lee	3	0	50%	New Appointment (Former position as Supervisor)
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	11	1	92%	Re-elected

Title	Name	No. of actual attendance	Proxy	% of actual attendance	Remark (Re-elected on June 19, 2009)
Director	Chung-Li Investment Co. Representative: Sue-Feng Tsao	12	0	100%	Re-elected
Director	Chung-Li Investment Co. Representative: Yao-Nan Lai	12	0	100%	Re-elected
Director	Union Recreation Enterprise Corp. Sue-Ere C. Lin	0	0	0%	Discharged

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: None.
- The motion for interested parties in 2009 involved 5 credit extension cases, 4 procurement cases for office premises lease and 1 case for sale of real estate. The relevant interested parties including Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Sue-Ere C. Lin, Si-Yong Lin, and Jia-Yi Wang. 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 Directors attending the meeting in person shall excuse 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.
- The Bank has participated in several sessions of Information Disclosure Review administered by the Securities and Futures Institute and is considered an institution that voluntarily engages in more transparent information disclosure practices.

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

The Board of Directors held 12 meetings in 2009.

The status of attendance is as follows:

Title	Name	No. of actual attendance	% of actual attendance	Remark (Re-elected on June 19, 2009)
Resident Supervisor	Yu-Pang Co., Ltd. Representative: Jia-Yi Wang	5	83%	New Appointment (Former Position as Managing Director)
Resident Supervisor	Yu-Quan Development Co., Ltd. Representative: Yu-Quan Lee	0	0%	Former Appointment (Reappointed as Director)
Supervisor	Pao-Hsing Investment Co., Ltd. Representative Zhen-Lu Lin	12	100%	Re-elected
Supervisor	Si-Yong Lin	6	100%	New Appointment (Former Position as Director)
Supervisor	Ming-Shing Ho	6	100%	Discharged

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: <https://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
<p>1. The Bank’s shareholder structure and shareholder rights</p> <p>(1) Ways in which the Bank handles shareholders’ recommendations or disputes.</p> <p>(2) 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.</p> <p>(3) Ways in which the Bank establishes proper risk control mechanisms and firewalls between the Bank and its affiliated enterprises.</p>	<p>(1) 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.</p> <p>(2) 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.</p> <p>(3) 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.</p>	<p>The Bank’s practices are in accordance with the relevant requirements, and there is no material discrepancy.</p>
<p>2. Composition and responsibilities of Directors:</p> <p>(1) Institution of Independent Directors.</p> <p>(2) Regular evaluation of external auditors’ independence.</p>	<p>(1) Two independent directors were elected in the shareholders’ meeting held on June 19, 2009 based on the law and the articles of incorporation. The bank has also put in place the ‘Standards & Job Scop of Independent Board Directors’.</p> <p>(2) The Board of Directors evaluates, on a regular basis, the independence status of the Bank’s external auditors.</p>	<p>No material discrepancy.</p>
<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</p> <p>(1) Establishment of corporate website to disclose information regarding the Bank’s financials, business and corporate governance status.</p> <p>(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.</p> <p>(2) A designated department is assigned to be in charge of the collection and disclosure of information published on the Bank’s corporate website.</p> <p>(3) The Bank has appointed a spokesperson and acting spokesperson to make official statement and has put in place the ‘Operation Standards of Internal Major Information Process’.</p> <p>(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.</p> <p>(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.</p> <p>(2) In accordance with the Article 36 of "Standard Corporate Governance Practices of Banks", the bank may set up an Audit Committee or institute supervisors. The Bank is adopting supervisors institution.</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) Human rights & employee wellness : The Bank has put in place the "Employment Rules" to clearly define the rights and obligations of the Bank and employees. The Bank also convenes regular labor relations meeting to enhance the bank-employee relationships and ensure rights of employees. In addition, the Bank undertakes evaluation of the various remuneration and welfare policies to maximize benefits for our employees. 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.</p> <p>(2) Investor relations: The Bank has set up an investors relationship window for a smooth communication channel.</p> <p>(3) Any transaction between the Bank and our stakeholders are carried out in accordance with stringent operational procedures.</p> <p>(4) Directors and Supervisors' training record : the Bank's directors and supervisors have taken trainings of practical operation and company management of directors/supervisors. The record may be accessed on the Market observation Post System (http://newmops.tse.com.tw) and is included in the annual report.</p> <p>(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.</p> <p>(6) The implementation of customers protection policies: 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. The Bank has also 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>(7) Purchasing liability insurance for directors and supervisors: It is not a constraint to purchase liability insurance for directors and supervisors in accordance with the Article 48 of the 'Practical Guidelines of Corporate Governance for Banking Industry', the Bank does not purchase the mentioned liability insurance.</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:

In line with the idea of 'taking from the society, paying back to the society', the Bank fulfills our social responsibilities by devoting resources to the promotion of various charitable events. (please refer to page 48-49).

(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 11, 2010

To Financial Supervisory Commission, Executive Yuan,

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2009 to December 31, 2009, we has duly complied with the "Enforcement Regulations for Bank Internal Audit Control System" in establishing its internal 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 be Service Enterprises 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 in effect during year, this Statement will be included as the main content of the Bank's annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Law will be involved.

Chairman:
Shiang-Chang Lee



President:
Jeff Lin



Chief Auditor:
Yen-Jye Chang



Compliance Officer of the Bank
Yau-Tsung Kao



The Improvement and Strengthening of the Bank's Internal Control System

As of December 31, 2009

Issue	Improvement	Projected Completion Date
1. A sales person was found using his relative's cash cards. The Bank shall reinforce preventing staff from picking up related documents for customers. The relevant sales personnel shall be subject to regular or random audits and supervision.	The amount had been paid up. The sales person has left the job and those who neglected their duties have been punished. An announcement has been made by the Wealth Management Dept. to temporarily suspend the issuance of Cash Cards and asked all branches to properly store the unused cards.	Completed on January 16, 2009
2. A person in-charge of safe business was found embezzling clients' safe deposits. The relevant department shall ensure that the relevant personnels perform their duties in accordance with the Bank's operational standards and internal control regulations.	The personnel has left the Bank and the lawsuit is under processing. The personnel had negotiated with the Bank to repay by installments. Meanwhile, the management department has reinforced on monitoring the accounting control task.	Completed on October 16, 2009
3. A former branch manager of a securities company violated the rule by keeping clients' passbooks and chops. The client lodged a complaint with the Bank after a loss occurred. The case was not reported under the regulated procedure of Taiwan Stock Exchange. The Bank shall reinforce the related staff of the securities company to strictly comply with the Bank's business operation manual and internal control regulations.	The competent authority has suspended the former branch manager of the securities company from operating the business for 6 months and has disciplined the related supervisors. The Bank has immediately examined the internal control deficiencies and has also held a compliance training with respect to legal knowledge.	Completed on January 11, 2010

(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.	The Bank sold NPL NTD690 million by public tender on November 21 2007. The notice was declared within two days from the resolution date of the board meeting which was on September 12, 2007. Nevertheless, the chairman of the Bank was fined NTD240 thousand by FSC for violation of Article 36-1 of the Securities and Exchange Act and Article 30-1-5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies to declare within two days from the actual occurrence day.	The Bank refuses to accept the disposition and has submitted the petition. An announcement was made on March 19 2009 while the operation guideline of NPL disposal was revised to clearly define the procedures for disposition of NPL.
(3) Misconduct occurred and resulted in the Financial Supervisory Commission's imposing strict corrective measures.	None	None
(4) Punishment imposed by the Financial Supervisory Commission, Executive Yuan in accordance with Paragraph 1, Article 61 of the ROC Banking Act	1. The Bank's property was leased to its subsidiary company, Union Finance & Leasing (Int'l) Corp. in September 2007 without retrieving agreement from the board of directors. Though it had been filed and resolved by the board of directors in November 2007, there was a defect in operating procedures and was corrected pursuant to the Article 61-1-1 of the Banking Act. 2. The Bank failed to comply with 'Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans' and Article 22 of the 'Notice of Managing Cash Cards for	1. The case had been filed to the board of directors in November 2007 and has been resolved. The Bank shall take notice of the timing control on interested-parties related leasing cases to prevent any violation on the regulations. 2. The Bank has followed the procedure to write off bed debts.

	<p>Financial Institutions' with respect to the Bank's loan and cash cards businesses. It shall be readdressed to comply with Article 61-1-1 of the Banking Act.</p> <p>3. The Bank outsourced Union Finance & Leasing (Int'l) Corporation for marketing and collection business of car loans in 2001 but failed to reapply for approval of outsourcing for car loan collections in accordance with the 'Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation' announced on September 18 2006. It shall be readdressed to comply with Article 61-1-1 of the Banking Act.</p>	<p>3. The collection business of car loans has been resumed and operated by the Bank.</p>
(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.	None	None
(6) Other necessary disclosures prescribed by the Financial Supervisory Commission, Executive Yuan	None	None

(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 2009 Shareholders' Meeting:

- a. The 2008 annual accounts: Resolved and approved.
- b. The 2008 appropriation of loss: Approved and executed.
- c. Amendment to the Articles of Incorporation: resolved and awaiting approval by the competent authority.
- d. Reelection of directors and supervisors: assumed office and modified registration according to the results of election.

B. Major Resolutions of the Board Meetings for Year 2009 and up to the Date of Printing of the Annual Report

- a. In the 23th Board meeting at 6th term held on Feb. 25, 2009, the Board resolved to approve the 2009 operation target and remuneration to Directors and Supervisors.
- b. In the 25th Board meeting at 6th term held on Mar. 25, 2009, the Board resolved to make amendments to the bank's Articles of Incorporation and revoke the non-competition clause governing on new Directors.
- c. In the first Board meeting at 7th term held on June 24, 2009, the Board resolved to appoint Mr. Shiang-Chang Lee, Mr. Zhen-Xong Jiang and Mr. Kao-Jing Wang to take the posts as managing directors.
- d. In the 4th Board meeting at 7th term held on October 21, 2009, the Board resolved to make amendments to the bank's 'organization structure', 'Rights & Responsibilities for Shareholders' Meeting, Board of Directors and Managers' and 'Standards of Responsibilities for Independent Directors'.
- e. In the 6th Board meeting at 7th term held on December 17, 2009, the Board resolved to reduce capital to make up losses, merge with Union Bills Finance Corporation and issue new shares.

(11) During the current fiscal year up to the date of printing of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said 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 recent fiscal year or during the 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, 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 served a position in the CPA firm to which the independent auditor(s) belong or its affiliated enterprises during the past year: 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 Securities and Exchange Law:

(1) Changes in shareholding

Title	Name	2009		February 23, 2010	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	0	0	0	0
Independent Director	Kao-Jing Wang	0	0	0	0
Independent Director	Zen-Fa Lu	0	0	0	0
Director	Union Construction Enterprise Co., Ltd.	0	0	0	0
Director	Chung-Li Investment Co.	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	Zhen-Xong Jiang	0	0	0	0
Director	Yu-Quan Lee	0	0	0	0
Supervisor	Yu-Pang Co., Ltd.	0	0	0	0
Supervisor	Pao-Hsing Investment Co., Ltd.	0	0	0	0
Supervisor	Si-Yong Lin	0	0	0	0
Chairman	Jeff Lin	0	0	0	0
SEVP	Hao-Sen Lee	0	0	0	0
SEVP	Herman Tu	0	0	0	0
SEVP	Yin-Bor Chan	0	0	0	0

Title	Name	2009		February 23, 2010	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chief Auditor	Yen-Jye Chang	0	0	0	0
Manager	Patrick Jean	0	0	0	0
Manager	Cheng-Yu Liu	0	0	0	0
Manager	Michael Lin	0	0	0	0
Manager	Wu-Lien Peng	0	0	0	0
Manager	Lin-Sheng Yu	0	0	0	0
Manager	Kuang-Han Liu	0	0	0	0
Manager	Chan-Kwei Chen	0	0	0	0
Manager	Jeng-Ping Liu	0	0	0	0
Manager	Wendy Chi	0	0	0	0
Manager	Ching-Shou Liu	0	0	0	0
Manager	Kuo-Pao Kang	0	0	0	0
Manager	Jen-Chung Cheng	0	0	0	0
Manager	Zen-Zong Hsu	0	0	0	0
Manager	Su-Yean Lo	0	0	0	0
Manager	Ru-Ji Cheng	0	0	0	0
Manager	Han-Chou Chiu	0	0	0	0
Manager	Hann-Tsau Tsai	0	0	0	0
Manager	Chang-Yung Chen	0	0	0	0
Manager	Wen-Chien Chien	0	0	0	0
Manager	Che-Ming Hsu	0	0	0	0
Manager	Joy Tang	0	0	0	0
Manager	Luke Yang	0	0	0	0
Manager	Buo-Cheng Lee	0	0	0	0
Manager	Li-Jen Wong	0	0	0	0
Manager	Min-Hui Wang	0	0	0	0
Manager	Keuin-Yung Tsai	0	0	0	0
Manager	Wei-Hsiung Liao	0	0	0	0
Manager	Rong-Hui Huang	0	0	0	0
Manager	Chi-Pin Chen	0	0	0	0
Manager	Jane Lu	0	0	0	0
Manager	Kuo-Shian Shia	0	0	0	0
Manager	Yu-Show Hsu	0	0	0	0
Manager	Peter Chien	0	0	0	0
Manager	Ying-Feng Wang	0	0	0	0
Manager	Russell Chang	0	0	0	0
Manager	Chang-Chen Lin	0	0	0	0
Manager	Tiffany Yu	0	0	0	0
Manager	Mei-Lan Lin	0	0	0	0
Manager	Yao-Tsung Kao	0	0	0	0
Manager	Chi-Shi Wei	0	0	0	0
Manager	Sophie Hsu	0	0	0	0
Manager	Michael Lee	0	0	0	0
Manager	Ching-Chung Lin	0	0	0	0

Title	Name	2009		February 23, 2010	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Liu-Lin Hung	0	0	0	0
Manager	Chien-Lung Chen	0	0	0	0
Manager	Tawei Shih	0	0	0	0
Manager	Shu-Feng Hsueh	0	0	0	0
Manager	Ching-An Chen	0	0	0	0
Manager	Guo-Luen Huang	0	0	0	0
Manager	Meng-Hsia Wu	0	0	0	0
Manager	Chin-Ten Chuang	0	0	0	0
Manager	Ching-Wen 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	Pauline Sheng	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	Huang-Wen Huang	0	0	0	0
Manager	Hsiu-Yun Su	0	0	0	0
Manager	Shih-Wen Lu	0	0	0	0
Manager	Chi-Chun Wang	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	Simon Wang	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	Ta-Yu Chin	0	0	0	0
Manager	Chen-Yueh Wu	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	Ching-Ming Huang	0	0	0	0
Manager	James Ho	0	0	0	0
Manager	Yuen-Song Lin	0	0	0	0
Manager	Jeffery Tsai	0	0	0	0
Manager	Yu-Ling Kuo	0	0	63,000	0

Title	Name	2009		February 23, 2010	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Wen-Hui Lin	0	0	0	0
Manager	Yu-Jhu Tsai	0	0	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	Chen-Han Pan	0	0	0	0
Manager	Ping-Hui Lin	0	0	0	0
Manager	Shiu-Lan Hsieh	0	0	0	0
Manager	Miao-Chuan Lin	0	0	0	0
Manager	Wen-Ling Chung	0	0	0	0
Manager	Ju-Chu Tsai	0	0	0	0
Manager	Chao-Chuan Chuang	0	0	0	0
Manager	Rong-Hsiang Chong	0	0	0	0
Manager	Hong-Bing Yang	0	0	0	0
Manager	Yanger Yang	0	0	0	0
Manager	Tarsicio Tong	0	0	0	0

(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 there is no change on the share pledge.

8. Information on Top 10 Shareholders Being the Related Parties

December 31, 2009

Shareholder ^(Note 1)	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 (Preferred Stock Included)	%	Shares	%	Shares	%	Name	Relation
Chung Li Investment Co. Representative: Sue-Feng Tsao	198,454,283 3,523	8.56% -	- -	- -	- -	- -	Tien-Sheng Investment Co. Chung Li Investment Co.	The Company's responsible person is the same as that of the other company
Pai-Sheng Investment Co. Representative: Si-Yong Lin	125,485,866 16,934,581	5.41% 0.73%	- 1,494,018	- 0.06%	- -	- -	Chu-Pao Investment Co. Pai-Sheng Investment Co.	The Company's responsible person is the same as that of the other company
Chien-Yuan Investment Co. Representative: C.C. Chang	119,783,434 268,671	5.16% 0.01%	- -	- -	- -	- -	- -	- -
Wei-Chih Investment Co. Representative: S.S. Yeh	111,154,926 19,080,330	4.79% 0.82%	- -	- -	- -	- -	- -	- -
Chu-Pao Investment Co. Representative: Si-Yong Lin	108,177,490 16,934,581	4.67% 0.73%	- 1,494,018	- 0.06%	- -	- -	Chu-Pao Investment Co. Pai-Sheng Investment Co.	The Company's responsible person is the same as that of the other company

Kun-Che Investment Co. Representative: Y. C. Huang	99,621,203 -	4.30% -	-	-	-	-	-	-
Cheng-Pon Construction Co. Representative: Em-Chi Tsai	95,976,000 -	4.14% -	-	-	-	-	-	-
Chi-Shun Investment Co. Representative: Jyh-Dong Chen	92,711,698 120,262	4.00% -	-	-	-	-	-	-
Tien-Sheng Investment Co. Representative: Sue-Feng Tsao	91,935,721 3,523	3.96% -	-	-	-	-	Chung Li Investment Co. Tien-Sheng Investment Co.	The Company's responsible person is the same as that of the other company
Pao-Hsing Investment Co. Representative: C. T. Lin	90,610,217 561,541	3.91% 0.02%	-	-	-	-	-	-

Note 1: The top ten shareholders should be listed. Names of corporate shareholders and their representatives should be listed individually.
 Note 2: The calculation of shareholding ratio is listed under one's self, one's spouse and minor children and one's representatives individually.
 Note 3: The relationship among the aforementioned shareholders, including corporations and individuals, shall be disclosed.

9. Ownership of Investee Companies

December 31, 2009

Investee 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%	28,310,336	9.56%	154,886,336	52.33%
Union Financial Int'l (HK)Ltd.	30,000,000	99.99999%	2	0.000007%	30,000,002	100.00%
Union Information Technology Corp.	999,923	99.99%	0	0.00%	999,923	99.99%
Union Finance and Leasing Int'l Corp.	70,000,000	100.00%	0	0.00%	70,000,000	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%
EnTie Securities Finance Co.	49,041,620	12.15%	0	0.00%	49,041,620	12.15%
Taiwan Asset Management Corp.	10,000,000	0.57%	0	0.00%	10,000,000	0.57%
Li Yu Venture Corporation	1,007,969	4.76%	0	0.00%	1,007,969	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	1,725,300	5.00%	0	0.00%	1,725,300	5.00%
Taiwan Depository & Clearing Corp.	247,425	0.08%	0	0.00%	247,425	0.08%
Taiwan Futures Exchange Co., Ltd.	5,103,276	2.04%	0	0.00%	5,103,276	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	0.001197%
Global Communication Semiconductor, Inc.	1,388,889	1.56%	0	0.00%	1,388,889	1.56%
Sunny Asset Management Co.	386,376	6.44%	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. 2009	10	3,000,000,000	30,000,000,000	2,318,824,429	23,188,244,290	Capital increase by cash	—

Type of Shares	Authorized Capital			Remark
	Issued Shares	Issued Shares	Issued 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

Feb.23, 2010

Type of Shareholder	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
Quantity						
No. of Shareholders	5	6	66	30,859	44	30,980
No. of Shares Held	6,925	659,107	1,845,964,589	446,992,486	25,201,322	2,318,824,429
% of Shareholding	0.00%	0.03%	79.60%	19.28%	1.09%	100%

(3) Distribution of Shareholding (Preferred Stock Included)

Par value NT\$10; Feb. 23, 2010

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	16,366	3,071,769	0.13%
1,000 ~ 5,000	6,747	15,594,428	0.67%
5,001 ~ 10,000	2,094	16,144,211	0.70%
10,001 ~ 15,000	3,680	46,813,522	2.02%
15,001 ~ 20,000	426	7,948,443	0.34%
20,001 ~ 30,000	516	13,195,213	0.57%
30,001 ~ 50,000	329	13,375,978	0.58%
50,001 ~ 100,000	313	22,361,256	0.96%
100,001 ~ 200,000	258	36,068,332	1.55%
200,001 ~ 400,000	114	31,728,453	1.37%
400,001 ~ 600,000	35	17,541,007	0.76%
600,001 ~ 800,000	21	14,293,958	0.62%
800,001 ~ 1,000,000	12	10,438,938	0.45%
Over 1,000,001	69	2,070,248,921	89.28%
Total	30,980	2,318,824,429	100.00%

Feb. 23, 2010;

Preferred Stocks

Par Value per share: NT\$10

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

Feb. 23, 2010

Major Shareholders	No. of shares Held	% of shareholding
Chung-Li Investment Co., Ltd.	198,454,283	8.56%
Pai-Sheng Investment Co., Ltd.	125,850,866	5.41%
Chien-Yuan Investment Co., Ltd.	119,783,434	5.17%
Wei-Chih Investment Co., Ltd.	111,154,926	4.79%
Chu-Pao Investment Co., Ltd.	108,177,490	4.67%
Kun-Che Investment Co., Ltd.	99,621,203	4.30%
Cheng-Bang Construction Enterprise Co., Ltd.	95,976,000	4.14%
Chi-Shun Investment Co., Ltd.	92,711,698	4.00%
Tien-Sheng Investment Co., Ltd.	91,935,721	3.96%
Pao-Hsing Investment Co., Ltd.	90,610,217	3.91%
Hung-Hsiang Investment Co., Ltd.	89,667,947	3.87%
Bai-Ing Investment Co., Ltd.	82,467,558	3.55%
Quan-Sheng Investment Co., Ltd.	77,493,358	3.34%
Sue-Ere C. Lin	77,286,891	3.33%
Union Construction Enterprise Co., Ltd.	71,684,310	3.09%
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 or those on the top 10 shares holders.

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

Item	Year		2008	2009
Market price per share	Highest		8.40	6.69
	Lowest		3.76	5.05
	Average		6.10	5.85
Net Worth per share	Before Distribution		6.82	7.05
	After Distribution		6.82	7.05
Earning per share	Weighted Average Shares		1,918,824,429	1,918,824,429
	Earning Per Share(\$)		(0.63)	0.13
Dividend per share	Cash Dividends		-	-
	Stock Dividends	-	-	-
		-	-	-
	Accumulated Dividends		-	-
Return on investments	Price/Earning Ratio ¹		(9.68)	45
	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 set out in the Articles of Incorporation: Refer to Attachment I (Attachment I - Financial Statement for 2009 p.27).

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 information about the Board of Directors' meeting has resolved to distribute 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 taking into account employees' bonus and directors' & supervisors' remuneration: Not applicable.
- C. Bonus to employees and remuneration to directors and supervisors from the retained earnings of the previous fiscal year: Not applicable.

(9) Share Repurchases: None

2. Issuance of Financial Debentures

Type of Financial Debentures	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	1st Subordinated Financial Debentures issued in 2009
Date & No. Approved by Central Competent Authority	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	Jin-Kuan-Yin-Kuo-Zi-No. 09800384990
Issue Date	Dec. 23, 2004	Dec. 28, 2004	Dec. 6, 2005	Nov. 7, 2006	Sep. 4, 2009
Face Value	1,000,000 / 5,000,000 / 10,000,000	1,000,000 / 10,000,000 / 50,000,000	10,000,000	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	1.5 billion	3.5 billion	2 billion	Class A : 1.2 billion Class B: 0.8 billion	0.9 billion
Interest Rate	The average of 6 leading banks' fixed interest rates for 1-year time deposit savings +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%	2.95%, fixed rate
Term	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	Maturity Date: Jun 30, 2016
Order of Redemption	Subordinate	Subordinate	Subordinate	Subordinate	Subordinate
Guarantor	Nil	Nil	Nil	Nil	Nil
Trustee	Nil	Nil	Nil	Nil	Nil
Underwriter	Nil	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/ Yi-Chun Wu)	Deloitte & Touche (Terence Huang/ Yi-Chun Wu)	Deloitte & Touche (Terence Huang/ Yi-Chun Wu)
Certifying Financial Institution	FuBon Bills Finance Corp.	FuBon Bills Finance Corp.	Int'l Finance Bills Corp.	"Book-Entry"	"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	1.5 billion	3.5 billion	2 billion	2 billion	0.9 billion
Paid-in Capital For the Previous Fiscal Year	14.89 billion	14.89 billion	15.17 billion	18.25 billion	23.19 billion
After-tax Net Worth for the Previous Fiscal Year	16.72 billion	16.72 billion	18.73 billion	18.33 billion	17.08 billion
Performance	Normal	Normal	Normal	Normal	Normal
Redemption or Early Redemption	Nil	Nil	Nil	Nil	Nil
Conversion & Exchange Conditions	Nil	Nil	Nil	Nil	Nil
Restrictions terms	Nil	Nil	Nil	Nil	Nil
Fund Utilization Plan	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio
Balance of issued debentures before adding the declared issue amount as a percentage of after-tax net worth for the previous fiscal year (%)	8.97%	29.90%	37.37%	49.09%	57.96%
Whether it is accounted for as regulatory and type	Tier 2 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	Taiwan Ratings Corp. twBBB+ Aug.12,2009

3. Issuance of Preferred Stock

Date of Issuance		Sept. 26, 2007	
Item	Grade-A preferred stock		
Face Value			10
Price			10
Shares			400,000,000
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 shareholders have no voting right and power in the common shareholders' meeting,, provided that they are entitled to be elected as directors and supervisors and the right to vote in preferred 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 12-31-2009	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 was 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:
On December 17, 2009, the board of directors approved to merge Union Bills Finance Corporation through issuing new shares and the merger day was tentatively set to be on June 30, 2010.

6. Fund Utilization Plan and Execution Status

- (1) Details: Refer to page 38~40 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 domestic letters of credit and conduct accounts receivable factoring.
- c. To handle exports, imports, foreign remittances, foreign currency loans and guarantees.
- d. To extend mortgage, auto loans, personal loans and other consumer credits, and provide credit cards 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 authorities.

B. Operational Highlight

a. Deposits

Unit: NT\$ Million

Type	December 31, 2009		December 31, 2008		Comparison	
	Amount	%	Amount	%	Increase (Decrease)	Growth Rate
Checking Deposit	3,584	1.25%	2,964	1.00%	620	20.92%
Demand Deposit	32,850	11.43%	25,674	8.62%	7,176	27.95%
Demand Savings Deposit	74,649	25.98%	53,225	17.88%	21,424	40.25%
Time Deposit	52,838	18.39%	65,821	22.12%	(12,983)	-19.72%
Time Savings Deposit	107,130	37.28%	130,052	43.70%	(22,922)	-17.63%
Deposit from Chunghwa Post Co. & Financial Institution	16,333	5.67%	19,872	6.68%	(3,539)	-17.81%
Total	287,384	100.00%	297,608	100.00%	-10,224	-3.44%

b. Loans

Unit: NT\$ Million

Type	December 31, 2009		December 31, 2008		Comparison	
	Amount	%	Amount	%	Increase (Decrease)	Growth Rate
Short-term Loans & Overdraft	7,898	4.71%	9,485	5.32%	(1,587)	-16.73%
Short-term Secured Loans & Overdraft	22,253	13.27%	23,084	12.96%	(831)	-3.60%
Medium-term Loans	10,983	6.55%	15,914	8.93%	(4,931)	-30.99%
Medium-term Secured Loans	14,269	8.51%	12,321	6.92%	1,948	15.81%
Long-term Loans	11,493	6.85%	12,355	6.93%	(862)	-6.98%
Long-term Secured Loans	100,804	60.11%	105,017	58.94%	(4,213)	-4.01%
Total	167,700	100%	178,176	100%	(10,476)	-5.88%

c. Foreign Exchange

Unit: US\$ Million

Type	December 31, 2009		December 31, 2008		Comparison	
	Amount	%	Amount	%	Increase (decrease)	Growth Rate
Exports	90	1.6%	152	3.1%	-62	-40.8%
Imports	165	2.9%	235	4.8%	-70	-29.8%
Foreign Remittances	5,378	95.5%	4,514	92.1%	864	19.1%
Total	5,633	100%	4,901	100%	732	14.9%

d. Trust & Wealth Management

Unit: NT\$ Million

Type		December 31, 2009		December 31, 2008		Comparison	
		Amount	%	Amount	%	Increase (decrease)	Growth Rate
Trust	Non-discretionary Money Trust Invested in Foreign Securities	25,670	34.94%	21,815	30.21%	3,855	17.67%
	Non-discretionary Money Trust Invested in Domestic Funds	9,032	12.30%	10,007	13.86%	(975)	-9.74%
	Pre-need Trust	3,879	5.28%	3,402	4.71%	477	14.02%
	Other Trusts	2,765	3.76%	2,215	3.07%	550	24.83%
	Securities Trust	159	0.22%	146	0.20%	13	8.90%
	Real Estate Trust	2,862	3.90%	2,364	3.27%	498	21.07%
	Custody of securities investment trust	6,952	9.46%	6,389	8.85%	563	8.81%
	Subtotal	51,319	69.86%	46,338	64.18%	4,981	10.75%
Ancillary Service	Other Custodian Business	2,662	3.62%	6,336	8.78%	(3,674)	-57.99%
	Certification Business	19,479	26.52%	19,526	27.04%	(47)	-0.24%
	Subtotal	22,141	30.14%	25,862	35.82%	(3,721)	-14.39%
Total		73,460	100.00%	72,200	100.00%	1,260	1.75%

e. Credit Cards

Unit: NT\$ Million ; Card

Item	December 31, 2009	December 31, 2008	Change	
	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate
Cards in Circulation	2,041,647	2,842,672	(801,025)	(28.18%)
Valid cards	1,078,194	1,178,477	(100,283)	(8.51%)
Ratio of valid cards	52.81%	41.46%	11.35%	27.38%
Credit Amount	51,809	59,957	(8,148)	(13.59%)

Cash Advance Amount	2,141	4,024	(1,883)	(46.79%)
Accounts Receivables	17,170	21,043	(3,873)	(18.40%)
Revolving Credit Balance	9,437	11,706	(2,269)	(19.38%)
Sales Amount	61,524	73,948	(12,424)	(16.80%)

f. Total Revenue

Item	% of Total Revenue 2009	% of Total Revenue 2008	Changes (%)
Corporate Banking	11.22%	13.36%	-2.14%
Consumer Banking	23.76%	29.32%	-5.56%
Trust & Wealth Management	2.58%	2.25%	0.33%
Credit Cards	21.85%	20.76%	1.09%
Offshore Banking	31.14%	24.82%	6.32%
Other	9.45%	9.49%	-0.04%
Total	100%	100%	

(2) Business Plan for 2010

- A. The Bank has resumed 13 branches previously terminated under the former Chung Hsin Bank. There are totally 87 branches by the end of March 2010. There will be 90 branches after merging Union Bills Finance Corporation and its 3 branches in June 2010. The Bank will target on development in all business aspects and fully utilize the benefit of the channel efficiency to expand the business base and increase revenue.
- B. Deposits
 - a. Fully expand current deposits and personal time savings deposits, reinforce interest rate sensitive assets and liabilities management, reduce liquidity risks, and actively conduct asset allocation to adjust deposit structure and extend interest spread revenue.
 - b. Planning for the establishment of processing center and operation centralization so as to increase efficiency and reduce risks.
- C. Loans
 - a. To balance between risks and returns, the Bank will steadily promote corporate finance and prioritize those pledged with real estate or quality stocks. Furthermore, the Bank will improve loan follow-ups, strengthen the operation process of unusual situations in order to control and manage the NPL.
 - b. Mortgage promotion campaigns will be held constantly to maintain the Bank's mortgage level and market share, and to increase processing fee income.
- D. Foreign Exchange
 - a. Establish designated foreign exchange branches to provide customers with better and faster service while expanding foreign exchange business.
 - b. Actively searching for emerging-market bonds to increase profits.
- E. Trust & Wealth Management
 - a. Strive for old and new funds custody business, promote electronic gift vouchers (including value-added cards) management business and combine with electronic gift voucher trust business to generate deposits and fee income.
 - b. Develop cross-industry alliance, promote marketing activities, provide variety services with good quality to different groups, bring in insurance, investment, multiple currencies and other financial management products to increase management asset scale.

- c. Perform high-efficiency system service and operation procedures to improve quality and effectiveness of services and cultivate relationships with customers.

F. Credit Card

- a. Carry out 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. Program segment marketing activities and organize large-scale swiping-card promotion campaign to increase market exposure and cardholders' loyalty as well as increase credit profits.

(3) Market Analysis

A. Business Regions of the Bank

Up to the end of March 2010, the Bank operates with 87 domestic retail offices as following: 44 in the Greater Taipei region, 18 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). There are also two foreign representative offices launched in Ho Chi Minh City, Vietnam and Hong Kong.

B. Analysis of Future Supply and Demand in the Market and Market Growth

Looking forward to 2010, the overseas demand is expected to increase as the global financial crisis is vanishing and world economy is recovering. Meanwhile, the future prosperity is optimistic as the domestic investment is expanding and consumption is growing. As for the domestic banking expansion, developing corporate banking will still be a major business for the banking industry since the government continues to promote small and medium enterprise loans. In terms of the consumer loan business, the banking industry will reinforce mortgage business and stay conservative to unsecured loans. After a 2-year adjustment, the related regulation of wealth management business is getting sound and the consumer loan business is expected to be one of the bank's profit resources. As the prosperity is recovering, it is anticipated that banking business will perform better than that of 2009 and the profit earning will also be enhanced.

C. Niche for Competition

- (1) Capital structure is improved substantially which helps to promote businesses.
The Bank's capital structure will be substantially improved after making-up losses through capital reduction and capital increase by issuing new shares for merger. This will not only write off losses from years but also improve shareholders' equity properly. Moreover, the integration of business resource will better improve management efficiency which shall help the Bank to expand.
- (2) Be able to provide integrated financial service with dense branches.
Until the end of March 2010, the Bank operates with 87 domestic branches. There will be 90 branches after merging Union Bills Finance Corporation and its 3 branches in June 2010. With the comprehensive electronic service and dense branch net, the Bank has built a strong base to develop businesses and will continue to providing customers with diversified & omnibus financial services.

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

- a. Favorable factors
 - (a). The domestic banking industry has been in an environment of low interest and fierce competition. With the government's deregulation going westwards for financial industry, the industry would expect to expand business scope and improve banks' service to Taiwanese enterprises in Mainland China once the MOU and ECFA have been signed.
 - (b). The global economy is expected to recover which will help to strengthen wealth management business and enhance the bank's investment returns. As the result, the Bank's business and profit are also anticipated to increase.
 - (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 related businesses.
- b. Unfavorable factors
 - (a). The Chinese banks are anticipated to join Taiwanese banking market once the MOU and ECFA are signed. The banking competition and business pressure are expected to be intense.
 - (b). The domestic banks are expected to pay more attention on risk management after going through

- the financial crisis. Banks would rather provide low-interest loans to quality customers than provide high-interest loans to customers with high risk which will affect the prospect to expand interest spread.
- (c). Inappropriate over marketing on 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 business are getting diversified. Meanwhile, with the speedy release of the various financial products, the bank's risk control is getting 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 Bank's assets quality.
 - (b) To cope with the project "Enhancement of domestic banks' loans to SMEs" as promoted by the competent authorities, the Bank will continue to engage in the SME loans and developing its market share of high-interest spread products. In addition, we will lower cost for mortgage loans and other non-secured consumer loans through procedure simplification and standardization. Furthermore, we will lower the NPL by targeting on the customers with fair credit and enhance the cross-sale strategies with affiliated companies in the hopes of maintaining the balance of quality and quantity as well as stable profit growth with slight interest spread.
 - (c) The Bank will continue to train financial experts and enhance the marketability of the various financial products to provide customers with omnibus financial services.
 - (d) Continue promoting reorganization and operation centralization to integrate marketing effectiveness and improve channel values to make the Bank a comprehensive financial institution.

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

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

a. Happiness Savings Book~

In early 2008, the Bank introduced the "Happiness Savings Book" program targeting children under 15 years of age to segregate and manage the financial market for the children. 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 program not only incorporates six financial management tools including NTD and foreign-currency deposits, securities, funds, insurance and insurance premium trusts, but also offers clients with discounted service charges for securities and funds trading and group insurance discount to create prospects for customers involving in various banking services. By the end of 2009, the total deposit balance of Happiness Savings Book is around NTD858 million, a 69% increase comparing to that of at the end of 2008 which is around NTD506 million.

b. Wealth Management ~

In recent years, the Bank has been devoted to promoting wealth management business. As on December 31, 2009, there were 35,937 wealth management accounts and total assets under management amounted to NT\$ 79,700 million, representing an increase of 34% and 14% respectively against 2008. Among the major products in 2009, the volume and service charge of domestic and overseas funds purchased were NTD20 billion and NTD163 million respectively, representing an increase of 1.5% and 15% respectively comparing with 2008. In addition, insurance premium and the related service charge were NTD5.2 billion and NTD118 million respectively, representing an increase of 108% and 278% respectively against 2008. Furthermore, the operating revenue was NTD284 million, an increase of 23% against 2008.

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 convenient and comprehensive financial services. The customer usage rate with respect to the Bank's Internet Banking service increased by 16.7% in 2009. The volume of transfer

transaction also grew steadily. These reflect the increase demand on e-banking service and the continuous expansion of the Bank's business.

d. New business departments set up in the most recent two years:

To simplify branch operations, a division of 'Centralized Operation for Deposit & Remittance' was established under Business Planning & Administration Department in November 2009 to centralize the operation of court attachment, query, interbank clearing and debit cards.

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

a. R&D Expenditure

Unit: NT\$ thousand		
Yeas	2009	2008
R&D Expenditure	24,114	0

Note: The 2009 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 will expand its service base under the current individual and enterprise internet banking platforms as the core service provided for the new generation clients. Meanwhile, the Bank will evaluate and program the development of mobile financial service which has grown to mature. As to business development, cross marketing towards current clients will also be the key issue for the next two years. Other than focusing on cross marketing, the Bank will also integrate and develop the related system and database to meet the development needs.

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

A. Short-term Plan

a. Deposits

The Bank will fully expand demand deposit and individual time savings deposits to actively allocate assets and adjust deposit structure to increase interest spread profits.

b. Loans

The Bank will promote corporate finance and prioritize those pledged with real estate or quality stocks, improve tracking of loans, enhance the operation procedure of unusual situations in order to control and manage NPL whilst maintaining a balanced level of risk and return.

c. Wealth Management

The Bank will continue to bring in insurance, investment, combination deposits, other financial products as well as wealth management projects and increase client's selection on assets allocation to improve the Bank's assets size of wealth management.

d. Credit Card

The Bank will propose marketing campaigns to target on various groups and focus on different themes and needs to increase card holders' loyalty and market exposure which shall increase credit profits.

e. Financial Operation

The Bank will expand trading and investment of fixed income products while effectively implementing credit and liquidity risk evaluation and controlling to create capital gains and yielding interest rate spread. Meanwhile, the Bank will actively develop new clients through TMU and provide various financial products and information to meet the client's demands.

B. Long-term Plan

The corporate principle is sustained to pursue 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 service at the most reasonable price and pay equally attention to the quality and quantity to make stable profits. We will also focus on expanding businesses by bringing the channel effectiveness of 90 branches to enlarge the scale of operation.

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 2009	End of 2008
Number of Employees	Permanent	2,908	3,081
	Temporary	0	0
	Other	0	0
	Total	2,908	3,081
Average age		34.51	33.53
Average year of service		6.96	6.13
Education	Doctorate	0.03	0
	Master	5.54	5.42
	University (College)	85.14	84.55
	Senior High School	9.15	9.90
	Junior High School & Under	0.14	0.13
Type of professional certification held by employees		End of 2009	End of 2008
Basic Proficiency Test for International Banking Personnel		243	225
Proficiency Test on Foreign Exchange Trading		9	7
Proficiency Test for Trust Operations Personnel		1778	1,731
Subject Test - Laws and Regulations on Trust Businesses		11	8
Qualification exam for "General knowledge of Financial Markets and professional code of Ethics"		1922	1,763
Financial Risk Manager (FRM)		3	3
Master Financial Professional		0	1
Certified Financial Consultant for Small and Medium Enterprise		1	1
Class B Accounts Clerk		7	7
Class C Accounts Clerk		132	145
Junior qualification examination for professional & technical personnel in the category of the accredited book-keeper for taxpayer		0	1
Basic Proficiency Test for Bank Lending Personnel		363	358
Advanced Proficiency Test for Bank Lending Personnel		34	32
Proficiency Test for Financial Planning Personnel		396	417
Certified Financial Planner (CFP)		0	1
Life insurance salesperson		2136	2,022
Investment-oriented insurance salesperson		1080	735
Property Insurance Salesperson Registration Certificate		788	720
Non-life insurance assessor		0	0
Insurance agent		1	1
Insurance broker		1	1
Futures specialist		297	298
Qualification examination for "investment-oriented insurance products & financial system"		169	102
Bill finance specialist		30	28
Labor safety and health specialists (Class B certificate for labor safety and hygiene)		5	5
Class A Manager of Labor Safety & Health Affairs		52	52
Class B Manager of Labor Safety & Health Affairs		55	57
Class C Manager of Labor Safety & Health Affairs		7	7
Fire Fighting Administrator		112	93
First Aid Specialist		114	118
Bond Specialist		18	14
Basic Proficiency Test on Internal Controls		1724	1,778
Certified Internal Auditor		3	1
Securities specialist		234	246
Senior securities specialist		189	167
Securities investment trust and consulting professionals		144	142

Securities investment Analyst	2	2
Specialist of “Margin and Stock Loans by Securities Firms”	40	40
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)	25	25
For taking “Investment trust & consulting regulations(including self-disciplinary rules)” only	530	485
For taking “Securities laws & regulations” only	4	3
Land administration (registration) agents	5	4
Real estate appraiser	1	2
Assistant real estate. Brokers	10	9
Proficiency Test for Bank Collateral Appraisal Personnel	16	12

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 as well as sends 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	7,514	1,652	9,166
Total training expense (in NT\$ thousand)	9,157	1,541	10,698

(3) Rules of Employee Behavior and Ethics

The Bank has put in place the “Employment Standards” and “Employee Service Rules” to govern employees’ behaviors and dedication for works. The Bank motivates its employees to take the corporate mission above all personal pursuits and perform their duties in accordance with corporate rules to facilitate the development of the various businesses.

(4) Protection for Work Environment and Employee Safety

- A. 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 check 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 Social Responsibility and Contribution

(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. With our idea

to promote and reward distinctive young artists, we founded the “Union Culture & Art Foundation Young Artist Award” and offered a money prize to the winner 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. The Bank also founded the “Union Fine Art Impression Prize” which set no age limit and granted the money prize as high as NT\$400,000 since 2003. In addition, a nation-wide exhibition tour, the award-winning artwork from these two competitions, starts in January each year which offers recognition and support to more artists in Taiwan and furnishes them with 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 artist in Taiwan for presentation. The senior artist recommended by the panel in 2009 was Mr. Cheng-Poh Chen whom we hope junior art workers in Taiwan may have an archetype to look forward to. Over the past decade, the Bank has continually proposed award-winning artists chances to exhibit their artworks and also invited them to be part of the panel committee, offered them the opportunity to exert their expertise. Meanwhile, Union Culture Foundation’s art campaign ‘Moved by Seeing the Happiness’, the 10th retrospective exhibition held in Dr. Sun Yat Sen’s Memorial Hall, was funded by the Bank to achieve the idea of supporting artists and art heritage in Taiwan.

(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 received the silver diamond award of the “Annual Award for Perpetual Park Management” in 2005 and the excellence award for four consecutive years in 2006, 2007, 2008 and 2009.

(3) Donation to Cultural & Educational Charities:

In May 2009, the Bank hosted the special fair “愛·分享~I share” to celebrate the Mother’s Day. The ‘Taipei Orphan Welfare Foundation’ was invited to set up a booth for fund raising. Approximately 15% of the proceeds from the fair, about NTD89,267, was donated to the “Union Cultural & Art Foundation” to support social and cultural charitable activities as well as the incubation of artistic talents.

(4) Supporting ‘Love Donation for Flood 88’ campaign:

As typhoon Morakot has seriously swept Taiwan, the Bank donated NTD10 million as a lead and the employees had also contributed their one-day income. The donation went to the designated account ‘Love Donation for Flood 88’ sponsored by Lin Rung San Foundation of Culture and Social Welfare and Liberty Times to help those people who lost their families in Flood 88. The Bank also initiated the activity ‘Donation for Typhoon Morakot’ which called on the cardholders to make contributions through their credit cards or donate their credit card points through the Bank. The fund raised was put entirely in a salvage account held by the Social Affairs Dept. of Nantou County Government, Chiayi County Government, Kaohsiung County Government and Pingtung County Government as the exclusive fund for the stricken areas swept by Typhoon Morakot. Meanwhile, in order to encourage the donation, all payments transferred to any one of Flood 88 accounts was exempted from service charge to obtain more contributions. For those employees whose homelands had been invaded by the disasters, the Bank had not only shown its regards through phone calls but also provided subsidy to make up their loss.

(5) Conducting ‘Caring the Disadvantaged Children & Building a Land of Dreams’

To assist impoverished children going to school successfully, the Bank teamed up with the Red Cross Society of Chiayi Branch, Chiayi Charity Joint Association and Chiayi

County Government to conduct a fund raising activity ‘Supporting the Underprivileged Families in Chiayi County’ in May 2009 and collected a contribution of NTD209,000. The Bank had also held an activity to raise funds, a total of NTD58,000, for after-school caring service for the disadvantaged pupils of Tainan City through the School Affairs Section of Department of Education of Tainan City Government in August 2009.

- (6) **The Bank and the Kaohsiung MRT held a baseball tournament to support and encourage outdoor activities in southern part of Taiwan. There were 128 teams entered the competition in November 2009.**
- (7) **To assist underprivileged families away from poverty and encourage children from low-income families to be able to go to schools or obtain jobs, the Bank and Kaohsiung County Government jointly aided a project which helps young students from Kaohsiung County to open special savings accounts.**

4. Facilities of Information Technology

(1) Maintenance and Allocation of Hardware & Software for 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, one IBM i520(i5/OS, Quick EDD) and 100 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 terminal controller, one set of 3590 and 3490 tape drive each, one ATM front-end processor (NCR-UNIX), two IBM RS/6000, one IBM AS/400-720(i5/OS, Quick EDD) and twelve PC servers.
- C. Network: Two CISCO 7206 routers, two CISCO 7507 routers, two CISCO 3661 routers, two CISCO 5509 & 5505 switch and 100 Mbps optical fiber for connecting the Neihu and Mingsheng 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. Development of the cross-rate function of the FXMM system.
- C. Development of the control system for country risks.
- D. Evaluation plan for the ATMP upgrade and execution of the downsizing plan in relation to the preliminary operations.
- E. Development of the registration system for loaning of book-entry government bonds.
- F. Upgrading of the report inquiry system.
- G. Upgrading of host network architecture.
- H. Upgrading of host operating system.
- I. Upgrading of recording equipment system.
- J. Construction in accordance with the Central Bank’s fund transfer system.
- K. Development of payment mechanism through convenient stores.
- L. Hardware and software upgrading of database storage
- M. Planning of network and batch transfer for foreign currency deposit.
- N. Development of electronic checks dishonor system.

O. Accounting integration for front accounts of NTD core system.

(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, Trojan 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 and Owner 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, 2010 to Jan. 21, 2011	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	
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7. Securitized Financial Commodities 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)				
		2005	2006	2007	2008	2009
Cash and cash equivalent, due from the Central Bank and other banks		\$28,864,831	\$40,128,185	\$28,052,923	\$49,126,993	\$62,909,538
Financial assets at fair value through profit or loss		10,009,127	4,873,587	7,746,462	7,675,019	400,971
Securities purchased under resell agreements		10,311,415	3,820,626	5,863,732	6,555,286	289,953
Available-for-sale financial assets		7,072,617	5,997,931	3,439,568	6,279,718	7,134,236
Discounts & loans		182,118,196	207,070,571	205,523,586	180,012,904	169,959,853
Receivables		44,028,153	36,748,767	28,967,953	23,513,603	18,793,040
Held-to-maturity investment		19,756,961	30,096,773	48,559,541	36,318,287	9,724,545
Equity investments- Equity method		3,521,089	2,837,358	2,946,398	2,479,374	2,209,409
Property & equipment		8,963,594	8,761,361	8,618,058	8,511,227	8,274,634
Intangibles		2,757,500	2,757,500	2,574,217	2,507,395	2,369,638
Other financial assets		3,870,435	6,075,325	4,757,711	24,537,416	57,133,986
Other assets		7,418,905	12,201,452	11,478,015	10,173,727	7,930,237
Total Assets		328,692,823	361,369,436	358,528,164	357,690,949	347,130,040
Call loans and due to banks		26,652,827	31,817,010	27,086,819	20,074,203	18,088,773
Deposits and remittance		250,662,221	275,747,909	263,954,435	277,751,334	271,124,191
Financial liabilities at fair value through profit or loss		4,090	34,457	61,326	212,904	81,243
Securities sold under repurchase agreements		12,247,692	11,904,491	32,865,259	27,843,332	26,415,907
Payables		6,548,931	7,111,454	4,776,100	4,981,318	3,276,818
Bank debentures		13,105,400	15,083,700	10,526,400	9,044,300	9,900,000
Liability component of preferred stocks		-	-	327,200	-	-
Other financial liabilities		151,548	318,597	254,580	220,896	242,363
Other liabilities		986,372	668,395	578,133	473,441	470,515
Total Liabilities	Before distribution	310,359,081	342,686,013	340,430,252	340,601,728	329,599,810
	After distribution	310,359,081	342,686,013	340,430,252	340,601,728	329,599,810
Capital stock		18,253,942	18,277,979	22,861,044	23,188,244	23,188,244
Capital surplus		63,733	60,296	33,811	33,811	33,811
Retained earnings	Before distribution	42,651	348,465	(4,697,572)	(5,907,536)	(5,651,650)
	After distribution	42,651	348,465	(4,697,572)	(5,907,536)	(5,651,650)
Unrealized loss on financial assets		-	(39,132)	(124,678)	(244,849)	17,065
Cumulative translation adjustments		50,141	43,820	39,243	49,843	31,662
Others		(76,725)	(8,005)	(13,936)	(30,292)	(88,902)
Total Shareholders' Equity	Before distribution	18,333,742	18,683,423	18,097,912	17,089,221	17,530,230
	After distribution	18,333,742	18,683,423	18,097,912	17,089,221	17,530,230

Note: All financial data have been audited by independent accountants.

(2) Condensed Income Statements

Unit: NT\$ in thousand

Item	Year	Financial Data for the Past Five Years (Note)				
		2005	2006	2007	2008	2009
Net interest		\$10,807,616	\$9,095,588	\$7,256,304	\$7,293,692	\$5,842,861
Net revenues other than interest		(4,359,876)	1,687,535	682,513	(1,028,430)	827,096
Bad debts		4,759,364	4,104,184	8,404,095	2,692,090	1,359,427
Operating expenses		6,534,898	6,332,613	5,993,462	5,362,815	4,635,022
Income (loss) before income tax		(4,846,522)	346,326	(6,458,740)	(1,789,643)	675,508
Income (loss) before cumulative effect of accounting changes		(3,457,777)	296,536	(4,942,358)	(1,209,964)	255,886
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)		(3,457,777)	305,814	(4,942,358)	(1,209,964)	255,886
Earnings (loss) per share (\$)		(\$1.94)	\$0.17	(\$2.65)	(\$0.63)	\$0.13

Note: All financial data have been audited by independent auditors.

(3) Name of CPAs and the Auditors' Opinion

Year	CPA Firm	Independent Auditors	Audit Opinion
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}
2009	Deloitte & Touche	Terence Huang / 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)				
			2005	2006	2007	2008	2009
Operating Capability	Loans to deposits ratio (%)		73.22	75.72	78.7	65.81	63.29
	Non-performing loan ratio (%)		3.76	2.41	2.39	2.69	2.35
	Interest expense to average total deposits		1.37	1.67	1.89	2.77	1.36
	Interest revenue to average total loans		5.04	4.22	3.85	7.76	5.54
	Total asset turnover (times)		0.0196	0.0298	0.0221	0.0175	0.0192
	Average net income per employee		1,772	2,966	2,343	2,034	2,294
	Average earnings per employee		(950)	84	(1,459)	(393)	88
Profitability	Return on tier 1 capital (%)		(32.77)	2.55	(54.12)	(19.22)	6.72
	Return on assets (%)		(1.20)	0.09	(1.37)	(0.34)	0.07
	Return on equity (%)		(18.66)	1.65	(26.87)	(6.88)	1.48
	Net income ratio (%)		(53.63)	2.84	(62.26)	(19.31)	3.84
	EPS (\$)		(1.94)	0.17	(2.65)	(0.63)	0.13
Financial Structure	Total liabilities to total assets ratio (%)		94.42	94.83	94.95	95.22	94.95
	Fixed assets to shareholders' equity ratio (%)		48.89	46.89	47.62	49.80	47.20
Growth Rate	Asset growth ratio (%)		33.06	9.94	(0.79)	(0.23)	(2.95)
	Profitability growth ratio (%)		(426.00)	(107.15)	(1,964.93)	72.29	137.75
Cash Flow	Cash flow ratio (%)		7.20	32.87	2.16	9.20	26.39
	Cash flow adequacy ratio (%)		-	56.79	12.49	309.40	2,207.02
	Cash flow reinvestment ratio (%)		-	-	-	-	-
Liquid Reserve Ratio (%)			11.56	9.73	10.66	18.81	23.81
Balance of Secured Loans to Related Parties (In NT\$ thousand)			5,521,913	6,147,411	6,178,671	5,188,129	5,210,915
Total Secured Loans to Related Parties as a % of Total Loans			2.94	2.88	2.87	2.73	2.94
Operation Scale	Market share of asset (%)		1.05	0.95	0.96	0.89	0.85
	Market share of net worth (%)		0.98	0.89	0.88	0.80	0.75
	Market share of deposits (%)		1.24	1.31	1.24	1.21	0.94
	Market share of loans (%)		1.07	1.19	1.15	0.99	0.92

Note 1: All financial data have been audited by independent accountants.

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
 - 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*.

* : 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 1)						
		2005	2006	2007	2008	2009		
Regulatory Capital	Tier 1 Capital	Common Stock	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	
		Non-cumulative subordinate debentures with no maturity date	0	0	0	0	0	
		Capital collected in advance	0	20,600	0	0		
		Capital Surplus (excl. fixed asset revaluation increment surplus)	63,733	60,296	33,811	33,811	33,811	
		Legal Reserve	1,380,978	16,067	107,812	107,812	0	
		Special Reserve	2,119,450	26,584	240,655	240,655	0	
		Cumulative Profit/Loss	-3,447,196	305,814	-5,046,039	-6,256,003	-2,825,825	
		Minority Shareholding	0	0	0	0	0	
		Other Shareholders' Equity	-26,584	43,820	-72,449	-334,471	-116,848	
		Less: Goodwill	2,757,500	2,757,500	2,574,217	2,507,395	2,369,638	
		Unamortized loss on sale of delinquent loans	0	0	0	0	0	
		Deduction items	2,385,062	2,042,419	1,940,220	1,790,543	2,481,671	
		Total Tier 1 Capital	13,201,761	13,930,641	9,937,596	8,682,110	11,428,073	
	Tier 2 Capital	Irredeemable Cumulative Preferred Stock	0	0	4,000,000	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	12,552	0	49,128	34,503	
		Convertible bonds	0	0	0	0	0	
		Operating reserve and allowance for bad debts	63,814	738,216	845,492	0	0	
		Long-term subordinate debentures	7,793,412	7,908,334	5,706,667	4,040,000	3,140,000	
		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	2,385,061	1,975,394	1,940,220	1,790,543	1,661,979	
		Less: 50% of Cumulative Loss	0	0	0	0	2,825,825	
		Total Tier 2 Capital	5,472,165	6,683,708	8,611,939	6,298,585	2,686,699	
	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		18,673,926	20,614,349	18,549,535	14,980,695	14,114,772	
	Risk-weighted Assets	Credit Risk	Standardized Approach	197,017,419	206,525,039	180,228,521	154,638,398	138,505,286
			Internal Ratings-Based Approach	0	0	0	0	0

Financial Highlights

	Asset Securitization	0	0	7,248,829	760,942	1,024,060
Operational Risk	Basic Indicator Approach	0	0	15,819,638	16,657,182	14,901,512
	Standardized Approach/ Alternative Standardized Approach	0	0	0	0	0
	Advanced Measurement Approach	0	0	0	0	0
Market Risk	Standardized Approach	13,496,275	9,281,313	6,356,923	5,137,292	4,298,058
	Internal Model Approach	0	0	0	0	0
Total Risk-weighted Assets		210,513,694	215,806,352	209,653,911	177,193,814	158,728,916
Capital Adequacy Ratio		8.87%	9.47%	8.85%	8.45%	8.89%
Ratio of tier 1 capital to risk-weighted assets		6.27%	6.40%	4.74%	4.90%	7.20%
Ratio of tier 2 capital to risk-weighted assets		2.60%	3.07%	4.11%	3.55%	1.69%
Ratio of tier 3 capital to risk-weighted assets		0	0	0	0	0
Ratio of common stocks to total assets		5.55%	5.06%	5.35%	5.36%	5.53%
Please explain the reasons for changes (if any) in the capital adequacy ratios for the past two years except for changes under 20%						

Notes:

1. All financial ratios have been audited by independent auditors.
2. The ratios are computed as follows:
 - (1)Core equity= Tier 1 capital + tier 2 capital + tier 3 capital
 - (2)Total risk-weighted assets= Credit risk weighted assets + (operational risk + market risk) capital appropriation* 12.5.
 - (3)Capital adequacy ratio= Regulatory capital/Total risk-weighted assets.
 - (4)Ratio of tier 1 capital to risk-weighted assets = Tier 1 capital/Total risk-weighted assets.
 - (5)Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital/Total risk-weighted assets.
 - (6)Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital/Total risk-weighted assets.
 - (7)Common Stock to A Total Assets Ratio= Common Stock/Total Assets.
3. The Basel I standards are applicable during the period from 2005 to 2006, and the ratios are computed as follows:
 - (1)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.
 - (2)Basel I Credit Risk Requirement- listed as the capital requirement to cover credit risk under the “standardized approach”.
4. The calculation for Ratio of capital to risk-weighted assets is based on Article 44 of Banking Act and the improvement measure while the ratio is lower than the statutory ratio: N/A.

Capital Adequacy

(Consolidated)

Unit: NT\$ in thousand

Item		Year	Financial Data for the Past Five Years (Note)					
			2005	2006	2007	2008	2009	
Regulatory Capital	Tier 1 Capital	Common Stock	18,253,942	18,257,379	25,358,882	19,188,244	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	0	20,600	0	0	0	
		Capital Surplus (excl. fixed asset revaluation increment surplus)	63,733	60,296	33,811	33,811	33,811	
		Legal Reserve	1,380,978	16,067	107,812	107,812	0	
		Special Reserve	2,119,450	26,584	240,655	240,655	0	
		Cumulative Profit/Loss	-3,446,896	305,814	-5,046,039	-6,256,003	-2,825,825	
		Minority Shareholding	2,113,161	0	0	1,616,592	1,728,522	
		Other Shareholders' Equity	-26,584	43,820	-173,382	-334,471	-116,848	
		Less: Goodwill	2,757,500	2,757,500	2,574,217	2,507,396	2,369,638	
		Unamortized loss on sale of delinquent loans	0	0	0	0	0	
	Deduction items	836,976	960,842	2,289,832	583,936	1,755,385		
	Total Tier 1 Capital	16,863,308	15,012,218	15,657,690	11,505,308	13,882,881		
	Tier 2 Capital	Irredeemable Cumulative Preferred Stock	0	0	4,000,000	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	12,552	12,485	49,128	34,503	
		Convertible bonds	0	0	0	0	0	
		Operating reserve and allowance for bad debts	320,575	803,520	878,547	0	16,353	
		Long-term subordinate debentures	7,434,300	7,602,934	5,706,667	3,843,500	3,070,833	
		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	836,976	893,817	2,289,832	583,936	935,693	
	Less: 50% of Cumulative Loss	0	0	0	0	2,825,825		
	Total Tier 2 Capital	6,917,900	7,525,189	8,307,867	7,308,692	3,360,171		
	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		23,781,207	22,537,407	23,965,557	18,814,000	17,243,052	
	Risk-weighted Assets	Credit Risk	Standardized Approach	215,021,523	223,100,007	194,310,086	169,321,710	153,104,392
			Internal Ratings-Based Approach	0	0	0	0	0
			Asset Securitization	0	0	7,248,829	760,942	1,078,855
Operational Risk		Basic Indicator Approach	0	0	16,606,550	17,915,629	16,297,550	
		Standardized Approach/ Alternative Standardized Approach	0	0	0	0	0	
		Advanced Measurement	0	0	0	0	0	
Market Risk		Standardized Approach	30,360,513	19,417,625	15,461,962	8,577,007	5,196,627	
		Internal Model Approach	0	0	0	0	0	
Total Risk-weighted Assets		245,383,036	242,517,632	233,627,427	196,575,288	175,677,424		

Capital Adequacy Ratio	9.69%	9.29%	10.26%	9.57%	9.82%
Ratio of tier 1 capital to risk-weighted assets	6.87%	6.19%	6.70%	5.85%	7.90%
Ratio of tier 2 capital to risk-weighted assets	2.82%	3.10%	3.56%	3.72%	1.92%
Ratio of tier 3 capital to risk-weighted assets	0	0	0	0	0
Ratio of common stocks to total assets	7.27%	7.53%	5.06%	5.11%	5.33%
Please explain the reasons for changes (if any) in the capital adequacy ratios for the past two years except for changes under 20%					

Notes:

1. All financial ratios have been audited by independent auditors.
2. The ratios are computed as follows:
 - (1)Regulatory capital= Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
 - (2)Total risk-weighted assets=Credit risk weighted assets +(operational risk + market risk) capital appropriation ×12.5.
 - (3)Capital adequacy ratio=Regulatory capital/Total risk-weighted assets.
 - (4)Tier 1 Capital to Risk Assets Ratio = Tier 1 Capital/Total risk-weighted assets.
 - (5)Tier 2 Capital to Risk Assets Ratio = Tier 2 Capital/Total risk-weighted assets.
 - (6)Tier 3 Capital to Risk Assets Ratio = Tier 3 Capital/Total risk-weighted assets.
 - (7)Common Stock to A Total Assets Ratio= Common Stock/Total Assets.
3. The Basel I standards are applicable during the period from 2005 to 2006. The ratios are computed as follows:
 - (1)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.
 - (2)Basel I Credit Risk Requirement- listed as the capital requirement to cover credit risk under the “standardized approach”.
4. The calculation for Ratio of capital to risk-weighted assets is based on Article 44 of Banking Act and the improvement measure while the ratio is lower than the statutory ratio: N/A.

3. Supervisors' Report for the 2009 Financial Statements

Union Bank of Taiwan Co., Ltd.

Supervisors' Report

The Bank's Financial Statements and Consolidated Financial Statements for 2009, 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-Pang Co., Ltd.

Representative : Jia-Yi Wang



Supervisor : Pao-Hsing Investment Co., Ltd.

Representative : Zhen-Lu Lin



Supervisor : Si-Yong Lin



March 10, 2010

4. **Financial Statements for 2009: please refer to Appendix 1.**
5. **Audited Consolidated Financial Statements for 2009: 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		Difference	
	Dec. 31, 2009	Dec. 31, 2008	Amount	%
Cash & cash equivalent, Due from Central Bank and Interbank Call Loan	\$62,909,538	\$49,126,993	\$13,782,545	28
Financial assets at fair value through profit or loss	400,971	7,675,019	(7,274,048)	(95)
Securities purchased under re-sale agreements	289,953	6,555,286	(6,265,333)	(96)
Financial assets available for sale	7,134,236	6,279,718	854,518	14
Discount & loans	169,959,853	180,012,904	(10,053,051)	(6)
Accounts Receivable	18,793,040	23,513,603	(4,720,563)	(20)
Held-to-maturity investment	9,724,545	36,318,287	(26,593,742)	(73)
Stock investments accounted for under the Equity Method	2,209,409	2,479,374	(269,965)	(11)
Property & equipment	8,274,634	8,511,227	(236,593)	(3)
Intangibles	2,369,638	2,507,396	(137,758)	(5)
Other Financial Assets	57,133,986	24,537,416	32,596,570	133
Other Assets	7,930,237	10,173,726	(2,243,489)	(22)
Total Assets	\$347,130,040	\$357,690,949	(\$10,560,909)	(3)
Call loans & due to banks	\$18,088,773	\$20,074,203	(\$1,985,430)	(10)
Deposits & Remittance	271,124,191	277,751,334	(6,627,143)	(2)
Financial liabilities at fair value through profit or loss	81,243	212,904	(131,661)	(62)
Securities sold under re-purchase agreements	26,415,907	27,843,332	(1,427,425)	(5)
Accounts Payable	3,276,818	4,981,318	(1,704,500)	(34)
Borrowing from Central Bank and Other Banks & Financial Bills Payable	9,900,000	9,044,300	855,700	9
Preferred Stock Liabilities	-	-	-	-
Other Financial Liabilities	242,363	220,896	21,467	10
Other Liabilities	470,515	473,441	(2,926)	(1)
Total Liabilities	\$329,599,810	\$340,601,728	(\$11,001,918)	(3)
Capital	\$23,188,244	\$23,188,244	-	-
Capital Surplus	33,811	33,811	-	-
Retained Earnings	(5,651,650)	(5,907,536)	255,886	(4)
Unrealized Loss on Financial Assets	17,065	(244,849)	261,914	(107)
Cumulative translation adjustments	31,662	49,843	(18,181)	(36)
Shareholders' Equity- Other	(88,902)	(30,292)	(58,610)	193
Total Shareholders' Equity	\$17,530,230	\$17,089,221	\$441,009	3

Notes:

1. 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.
2. The decrease in Financial assets (liabilities) at fair value through profit or loss, Securities purchased under re-sale agreements and Financial assets held to maturity is primarily due to the decrease in investments in government bonds, commercial paper and investments in beneficiary securities.
3. The increase in Other Financial Assets was primarily the result of the increase in asset-based securities investment included in non-active market debt instruments.
4. The decrease in Other Assets is primarily due to the loss in amortization of the deferred sale of NPL.
5. The decrease in Accounts Payable is primarily due to the decrease in Interest Payable.
6. The increase in Unrealized Loss on Financial Assets was mainly the result of recognition of valuation gain (loss) of available-for-sale financial assets and unrealized gain (loss) on equity-method stock investments in accordance with the ownership percentage.
7. The decrease in Cumulative Translation Adjustment was mainly made up by translation adjustments of equity-method stock investments.
8. The decrease in Shareholders' Equity- Other is a result of the increase in pension fund.

2. Results of Operation

in NT\$ thousand

Item	2009		2008		Change in Amount	Change in %
	Amount		Amount			
Interest Income		\$5,842,861		\$7,293,692	(1,450,831)	(20)
Income other than Interest Income		827,096		(1,028,430)	1,855,526	(180)
Bad debt expense		1,359,427		2,692,090	(1,332,663)	(50)
Operating expense		4,635,022		5,362,815	(727,793)	(14)
Wages & salaries	2,103,722		2,226,992		(123,270)	(6)
Depreciation & amortization expense	440,388		489,110		(48,722)	(10)
Other business & administrative expense	2,090,912		2,646,713		(555,801)	(21)
Income (loss) before tax		675,508		(1,789,643)	2,465,151	(138)
Income tax benefits (expense)		419,622		(579,679)	999,301	(172)
Net Profit (Loss)		\$255,886		(\$1,209,964)	\$1,465,850	(121)

Notes of change:

The increase in Income other than Interest Income was due to the decrease in recognition of asset impairment losses.

2. The decrease in Bad debt expense was due to the decrease in provision for bad debts for the 2009 income year against 2008.

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.

3. The increase in Income tax expense was due to the reduction of income tax rate in 2009.

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

Item	Year		Change (%)
	2009	2008	
Cash flow ratio (%)	26.39	9.2	17.19
Cash flow adequacy ratio (%)	2,207.02	309.4	1,897.62

Analysis of the Financial Status and Operating Results & Risk Management

Cash reinvestment ratio (%)	-	-	-
Analysis of changes in proportion:			
1. The Cash flow ratio increased mainly due to the increase in profits earning in 2009 which contributed to the increase in net cash from operating activities.			
2. 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 activities ②	Total expected cash inflows (outflows) ③	Expected cash surplus (deficit) ①+②+③	Implementation for cash deficiency	
				Investment Plan	Financing Plan
5,560,882	1,192,156	(904,651)	5,848,387	-	-
1. Cash flow analysis:					
(1) Operating activities: The increase was due to business growth and increases in operating revenue and profitability.					
(2) Investing activities: To meet the business demand of growth in loans.					
(3) 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 2009 on the Bank's Financial Operations

Major Capital Expenditures in Recent Years:

Unit: NTS in thousand

Project	Sources of Funding Actual or Estimated	Date of Completion	Total Funding Required	Utilization of Actual or Estimated Source of Funding					
				2006	2007	2008	2009	2010	2011
Office equipment	Self-funding	December 2010	444,282	150,926	154,374	29,666	29,761	79,555	\$ -
Transportation equipment	Self-funding	December 2010	151,808	107,591	13,865	5,613	6,725	18,014	-
Other equipment	Self-funding	December 2010	123,927	8,272	10,686	4,480	29,208	71,281	-
Land	Self-funding	December 2010	388,301	116,605	76,845	194,851	0	0	-
Building & improvements	Self-funding	December 2010	349,676	9,075	0	46,730	0	293,871	-

Expected benefits from capital expenditures:

- 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.
- Other expected benefits: None.

5. Reinvestment Policy, the Main Reasons for Profit or Loss, and Corrective Action Plan in 2009, and Investment Plan for the Next Year:

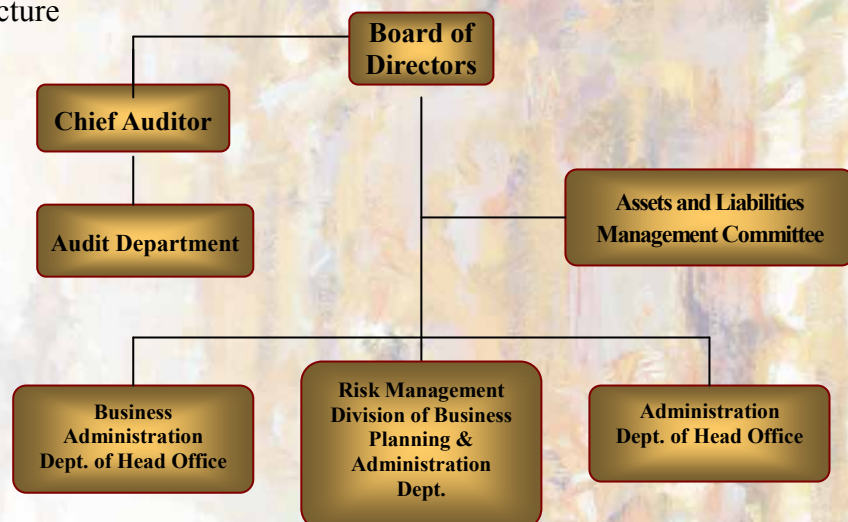
- The Bank's reinvestment strategy aims at establishing a comprehensive peripheral financial system and ensuring that product and marketing channels are closely knitted through the business network of affiliated enterprises which help the entire enterprise's

- 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 economy has recovered gradually since 2009. The reinvestment profit of affiliated enterprises recognized under equity method increased NTD327 million comparing to year 2008.
 - (3) The business and financial adjustment for the Bank's reinvested enterprises in 2009 to improve investment efficiency:
 - A. The investees of the Bank namely, Union Finance & Leasing (Int'l) Corporation, Union Information Technology Corp. and Union Insurance Brokers Co., Ltd. undertook capital reduction to improve the efficiency of fund utilization.
 - B. The investee of the Bank, Union Morgan Asset Management Corp., made up loss through capital reduction and increase capital by cash to improve its financial structure. By evaluating the investment efficiency in the future, the Bank does not hold any share after the capital reduction.
 - C. En Tie Securities Finance Corp., the investee of the Bank, will merge with Capital Securities Corp. to be able to respond to the alteration of financial related industries in the future, make investment return, effectively adjust the Bank's investment structure, and improve the Bank's capital adequacy ratio.
 - D. 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.
 - E. The Bank will merge with Union Bills Finance Corporation to improve the Bank's competitiveness and strengthen its capital adequacy ratio. The merger is beneficial to the Bank for business promotion, NWPS and EPS.
 - (4) The Bank has no reinvestment plan in the coming year.

6. Risk Management

(1) Risk Management Structure

A. Organization Structure



The board of directors, the highest decision making unit of the Bank's risk management policy, is in charge of deliberating and approving major issues made by the specific risk

management unit. There are an asset and liability management committee and a specific risk management unit, currently the Risk Management Division of Business Planning & Administration Dept., under the board of directors. The specific risk management unit is responsible for planning, promoting and managing risk strategies of the bank. In addition to submit reports to the asset and liability management committee periodically or irregularly, the unit also presents the risk control and management circumstances of businesses to the board of directors periodically.

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

A. Credit Risk Management System and Capital Requirement of 2009:

Credit Risk Management System
2009

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 as 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 to achieve the goal of credit risk strategies and create maximum rewards within the tolerable scope.</p> <p><u>Procedure:</u> The Bank has built up a credit risk management mechanism through procedures for risk identification, measuring, communication, 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 credit risk policies, management guidelines, the formulation and revision of credit risk structure and submission of the relevant risk reports. 2. Assets & Liabilities Management Committee: is responsible for reviewing the relevant risk reports submitted from the specific risk management unit as well as credit risk related departments such as loans and credit cards. 3. The Specific Risk Management Unit (currently the Risk Management Division of Business Planning & Administration Dept.): implementing the related operations for 3 pillars of credit risk, establishing the planning of the various risk management tools as well as integrating credit risk related information to constantly monitor the Bank’s credit risk management mechanism.
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 monthly statement providing information by types, branches and customers of businesses for information analysis.</p> <p>Scope of risk report:</p> <ol style="list-style-type: none"> 1. The respective administration units of the headquarter shall report to Assets & Liabilities Management Committee the business development, execution status and allocation of risk assets periodically. 2. The Specific Risk Management Unit will report to Assets & Liabilities Management Committee the profit & loss of all related credit businesses and the follow up of BIS target periodically as well as report to the Board of Directors the execution of risk control measures against the various businesses.
4. Credit risk hedging or reduction policies, and effective strategies and	<p>The Bank will take appropriate action to avoid, reduce/ transfer, lower and bear the potential loss in the credit risk encountered by the various businesses subject to the nature of business and cost effects.</p> <p>The Bank’s information system provides the relevant information to the management level to</p>

Item	Contents
procedures for controlling risk hedging and reduction tools	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 December 31, 2009

Unit: NT\$ in thousand

Type of exposure	Balance after risk reduction	Capital requirement
Sovereign states	65,545,776	0
Public departments other than the central government	848,940	13,583
Banks (including multiple development banks)	15,101,000	252,225
Enterprises (including securities and insurance companies)	32,161,101	2,379,076
Retailing credits	58,682,020	3,727,386
Residential real property	93,829,497	3,394,694
Investments in equity securities	451,463	144,468
Other assets	96,663,138	1,168,991
Total	363,282,935	11,080,423

B. Risk Management System, Exposure and Capital Requirement of Asset Securitization of 2009:

Risk Management System of Asset Securitization of 2009

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	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 to 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 periodically.
5. Approach to require the authorized capital	Standard Method

Status of Asset Securitization
As of December 31, 2009

Type	Total issue amount	Outstanding balance	Balance of repurchase
None			

Exposure & Capital Requirement of Asset Securitization
As of December 31, 2009

Unit: NT\$ in thousand

Type of exposure	Non-founding bank		Founding bank					Capital requirement prior to securitization
	Purchased or held securitized exposures	Capital requirement	Exposure				Asset-based promissory note	
			Non-asset-based promissory note		Portfolio			
			Conventional	With position	Without position	Without position		
House loans	57,894,441	0						
Asset-based promissory note	1,283,869	349,579						
Beneficiary securities	17,054	682						
Total	59,195,364	350,261						

Information of Asset-Backed Securities
As of December 31, 2009

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	4,396	0	0	4,396
CBO	Non-active market debt instruments	12,651	0	0	12,651
ABCP	Non-active market debt instruments	2,246,258	0	962,389	1,283,869
REIT	Available-for-sale financial assets	12,588	684	0	13,272

Foreign Currency:

USD : NTD = 1 : 32.176 Unit: NT\$ in thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
CMO	Held-to-maturity financial assets	8,248,884	0	0	8,248,884
CMO	Non-active market debt instruments	49,382,710	0	0	49,382,710

Analysis of the Financial Status and Operating Results & Risk Management

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 Special Purpose Trust 2	NTD	Land Bank Taiwan	20080825 20081124	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% SCDO denominated in USD

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

Foreign Currency:

USD : NTD = 1 : 32.176

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	Attachment Point	Details of Asset Pool
Ginnie Mae CMO US38375KPL07	①	USD	Ginnie Mae	20070430-20120430	7.30%	AAA	Monthly Interest Payment & Principal Repayment	458,769	0	0	458,769	N/A	N/A
Ginnie Mae CMO US38374TWU41	②	USD	Ginnie Mae	20090529-20140529	4.50%	AAA	Monthly Interest Payment & Principal Repayment	1,752,783	0	0	1,752,783		
Ginnie Mae CMO US38374TXA77	②	USD	Ginnie Mae	20090529-20140529	4.50%	AAA	Monthly Interest Payment & Principal Repayment	2,161,784	0	0	2,161,784		
Ginnie Mae CMO US38374UPQ84	②	USD	Ginnie Mae	20090529-20140529	4.50%	AAA	Monthly Interest Payment & Principal Repayment	1,642,082	0	0	1,642,082		
Ginnie Mae CMO US38374UKS95	②	USD	Ginnie Mae	20090624-20140624	5.50%	AAA	Monthly Interest Payment & Principal Repayment	654,275	0	0	654,275		
Ginnie Mae CMO US38374TN917	②	USD	Ginnie Mae	20090624-20140624	5.50%	AAA	Monthly Interest Payment & Principal Repayment	851,726	0	0	851,726		
Ginnie Mae CMO US38374T2E32	②	USD	Ginnie Mae	20090602-20140602	4.50%	AAA	Monthly Interest Payment & Principal Repayment	391,407	0	0	391,407		
Ginnie Mae CMO US38374T6C30	②	USD	Ginnie Mae	20090630-20140630	5.00%	AAA	Monthly Interest Payment & Principal Repayment	1,583,786	0	0	1,583,786		
Ginnie Mae CMO US38374T6Q26	②	USD	Ginnie Mae	20090630-20140630	5.00%	AAA	Monthly Interest Payment & Principal Repayment	707,294	0	0	707,294		
Ginnie Mae CMO US38374UQ462	②	USD	Ginnie Mae	20090630-20140630	5.00%	AAA	Monthly Interest Payment & Principal Repayment	683,011	0	0	683,011		
Ginnie Mae CMO US38374UE989	②	USD	Ginnie Mae	20090630-20140630	5.50%	AAA	Monthly Interest Payment & Principal Repayment	954,013	0	0	954,013		
Ginnie Mae CMO US38374T6C30	②	USD	Ginnie Mae	20090630-20140630	5.00%	AAA	Monthly Interest Payment & Principal Repayment	1,583,786	0	0	1,583,786		
Ginnie Mae CMO US38374VSQ31	②	USD	Ginnie Mae	20090730-20140730	5.00%	AAA	Monthly Interest Payment & Principal Repayment	1,669,171	0	0	1,669,171		
Ginnie Mae CMO US38374T6B56	②	USD	Ginnie Mae	20090730-20140730	5.00%	AAA	Monthly Interest Payment & Principal Repayment	329,888	0	0	329,888		
Ginnie Mae CMO US38373AAK25	②	USD	Ginnie Mae	20090831-20140831	5.50%	AAA	Monthly Interest Payment & Principal Repayment	2,249,482	0	0	2,249,482		
Ginnie Mae CMO US38374VP785	②	USD	Ginnie Mae	20090828-20140828	6.00%	AAA	Monthly Interest Payment & Principal Repayment	352,302	0	0	352,302		
Ginnie Mae CMO US38373AHK51	②	USD	Ginnie Mae	20090828-20140828	6.00%	AAA	Monthly Interest Payment & Principal Repayment	479,180	0	0	479,180		
Ginnie Mae CMO US38376FRH72	②	USD	Ginnie Mae	20090930-20140930	5.50%	AAA	Monthly Interest Payment & Principal Repayment	1,154,974	0	0	1,154,974		

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
Ginnie Mae CMO US38373AUV69	②	USD	Ginnie Mae	20090930-20140930	6.00%	AAA	Monthly Interest Payment & Principal Repayment	348,189	0	0	348,189		
Ginnie Mae CMO US38376FBW14	②	USD	Ginnie Mae	20090930-20140930	6.00%	AAA	Monthly Interest Payment & Principal Repayment	363,784	0	0	363,784		
Ginnie Mae CMO US38376FED06	②	USD	Ginnie Mae	20090930-20140930	6.00%	AAA	Monthly Interest Payment & Principal Repayment	617,062	0	0	617,062		
Ginnie Mae CMO US38376CUJ60	②	USD	Ginnie Mae	20090930-20140930	6.00%	AAA	Monthly Interest Payment & Principal Repayment	358,227	0	0	358,227		
Ginnie Mae CMO US38376KPW52	②	USD	Ginnie Mae	20091030-20141030	6.00%	AAA	Monthly Interest Payment & Principal Repayment	561,320	0	0	561,320		
Ginnie Mae CMO US38376C5L98	②	USD	Ginnie Mae	20091030-20141030	5.50%	AAA	Monthly Interest Payment & Principal Repayment	301,935	0	0	301,935		
Ginnie Mae CMO US38376KPW52	②	USD	Ginnie Mae	20091030-20141030	6.00%	AAA	Monthly Interest Payment & Principal Repayment	561,320	0	0	561,320		
Ginnie Mae CMO US38376EBF16	②	USD	Ginnie Mae	20091130-20141130	5.50%	AAA	Monthly Interest Payment & Principal Repayment	1,159,690	0	0	1,159,690		
Ginnie Mae CMO US38376JJM71	②	USD	Ginnie Mae	20091130-20141130	5.50%	AAA	Monthly Interest Payment & Principal Repayment	1,397,428	0	0	1,397,428		
Ginnie Mae CMO US38376FV17	②	USD	Ginnie Mae	20091130-20141130	5.50%	AAA	Monthly Interest Payment & Principal Repayment	870,559	0	0	870,559		
Ginnie Mae CMO US38376JC692	②	USD	Ginnie Mae	20091130-20141130	5.50%	AAA	Monthly Interest Payment & Principal Repayment	882,204	0	0	882,204		
Ginnie Mae CMO US38376JAG94	②	USD	Ginnie Mae	20091130-20141130	5.50%	AAA	Monthly Interest Payment & Principal Repayment	525,210	0	0	525,210	N/A	N/A
Ginnie Mae CMO US38376PES56	②	USD	Ginnie Mae	20091230-20141230	5.00%	AAA	Monthly Interest Payment & Principal Repayment	3,539,360	0	0	3,539,360		
Ginnie Mae CMO US38376P4E74	②	USD	Ginnie Mae	20091230-20141230	5.00%	AAA	Monthly Interest Payment & Principal Repayment	2,413,200	0	0	2,413,200		
Ginnie Mae CMO US38376PAL40	②	USD	Ginnie Mae	20091230-20141230	5.00%	AAA	Monthly Interest Payment & Principal Repayment	965,280	0	0	965,280		
Ginnie Mae CMO US38376PL658	②	USD	Ginnie Mae	20091230-20141230	5.00%	AAA	Monthly Interest Payment & Principal Repayment	1,287,040	0	0	1,287,040		
Ginnie Mae CMO US38376PS760	②	USD	Ginnie Mae	20091230-20141230	5.00%	AAA	Monthly Interest Payment & Principal Repayment	2,574,080	0	0	2,574,080		
Ginnie Mae CMO US38376PZ450	②	USD	Ginnie Mae	20091230-20141230	5.00%	AAA	Monthly Interest Payment & Principal Repayment	514,816	0	0	514,816		
Ginnie Mae CMO US38376J2T07	②	USD	Ginnie Mae	20091230-20141230	5.00%	AAA	Monthly Interest Payment & Principal Repayment	321,760	0	0	321,760		
Freddie Mac CMO US31395W5V59	①	USD	Freddie Mac	20050729-20100729	7.00%	AAA	Monthly Interest Payment & Principal Repayment	1,212,333	0	0	1,212,333		
Freddie Mac CMO US31395WW526	①	USD	Freddie Mac	20050830-20100830	7.10%	AAA	Monthly Interest Payment & Principal Repayment	359,856	0	0	359,856		
Freddie Mac CMO US31397EHC21	①	USD	Freddie Mac	20061229-20111229	7.40%	AAA	Monthly Interest Payment & Principal Repayment	385,494	0	0	385,494		
Freddie Mac CMO US31397EAL92	①	USD	Freddie Mac	20061229-20111229	7.30%	AAA	Monthly Interest Payment & Principal Repayment	304,910	0	0	304,910		
Freddie Mac CMO US31397TCM27	②	USD	Freddie Mac	20080430-20130430	7.30%	AAA	Monthly Interest Payment & Principal Repayment	580,276	0	0	580,276		
Freddie Mac CMO US31397TCT79	②	USD	Freddie Mac	20080430-20130430	7.10%	AAA	Monthly Interest Payment & Principal Repayment	712,736	0	0	712,736		
Freddie Mac CMO US31398C6L72	②	USD	Freddie Mac	20090330-20140330	5.25%	AAA	Monthly Interest Payment & Principal Repayment	498,374	0	0	498,374		
Freddie Mac CMO US31398CF451	②	USD	Freddie Mac	20090430-20140430	5.00%	AAA	Monthly Interest Payment & Principal Repayment	815,238	0	0	815,238		
Freddie Mac CMO US31398CF451	②	USD	Freddie Mac	20090430-20140430	5.00%	AAA	Monthly Interest Payment & Principal Repayment	626,969	0	0	626,969		

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	Attachment Point	Details of Asset Pool
Freddie Mac CMO US31397YD577	②	USD	Freddie Mac	20090319-20140319	5.25%	AAA	Monthly Interest Payment & Principal Repayment	785,478	0	0	785,478		
Freddie Mac CMO US31397YD734	②	USD	Freddie Mac	20090330-20140330	5.50%	AAA	Monthly Interest Payment & Principal Repayment	437,888	0	0	437,888		
Freddie Mac CMO US31394EQN12	①	USD	Freddie Mac	20050630-20100630	7.00%	AAA	Monthly Interest Payment & Principal Repayment	359,602	0	0	359,602		
Freddie Mac CMO US31394EXX11	①	USD	Freddie Mac	20050729-20100729	7.10%	AAA	Monthly Interest Payment & Principal Repayment	527,205	0	0	527,205		
Freddie Mac CMO US31394VDA52	①	USD	Freddie Mac	20060203-20110203	7.40%	AAA	Monthly Interest Payment & Principal Repayment	380,373	0	0	380,373		
Freddie Mac CMO US31394VWP11	①	USD	Freddie Mac	20060731-20110731	7.20%	AAA	Monthly Interest Payment & Principal Repayment	339,513	0	0	339,513		
Freddie Mac CMO US31396KRH76	①	USD	Freddie Mac	20061229-20111229	7.80%	AAA	Monthly Interest Payment & Principal Repayment	337,223	0	0	337,223		
Freddie Mac CMO US31396PBT75	①	USD	Freddie Mac	20090227-20140227	7.30%	AAA	Monthly Interest Payment & Principal Repayment	1,258,380	0	0	1,258,380		
Freddie Mac CMO US31397NEJ00	②	USD	Freddie Mac	20090227-20140227	5.50%	AAA	Monthly Interest Payment & Principal Repayment	610,671	0	0	610,671		
Freddie Mac CMO US31397NDN21	②	USD	Freddie Mac	20090331-20140331	5.50%	AAA	Monthly Interest Payment & Principal Repayment	402,445	0	0	402,445		
Freddie Mac CMO US31397MX778	②	USD	Freddie Mac	20090430-20140430	5.50%	AAA	Monthly Interest Payment & Principal Repayment	308,351	0	0	308,351		
Freddie Mac CMO US31397NZU26	②	USD	Freddie Mac	20090430-20140430	5.00%	AAA	Monthly Interest Payment & Principal Repayment	630,882	0	0	630,882		
Freddie Mac CMO US31397NA212	②	USD	Freddie Mac	20090529-20140529	5.00%	AAA	Monthly Interest Payment & Principal Repayment	310,001	0	0	310,001		
Freddie Mac CMO US31397NT543	②	USD	Freddie Mac	20060203-20110203	5.00%	AAA	Monthly Interest Payment & Principal Repayment	950,189	0	0	950,189		

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 2009:

Operation Risk Management System 2009

Item	Contents
1. Operation risk management strategy and procedure	<p><u>Strategies:</u> The Bank has enacted the "Operation Risk Management Guidelines of Union Bank of Taiwan" which serves as the basis for the Bank's relevant units to plan, promote, manage and execute operation risk management.</p> <p><u>Procedure:</u> The Bank has built up an operation risk management mechanism through procedures for risk identification, assessment, measuring, monitoring and reporting.</p>
2. Operation 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 operation risk policies, management guidelines, the formulation and revision of operation risk structure and submission of the relevant risk reports. 2. Assets & Liabilities Management Committee: is responsible for reviewing the relevant risk reports submitted from the specific risk management unit as well as risk related departments. 3. The Specific Risk Management Unit (currently the Risk Management Division of Business Planning & Administration Dept.): implementing the related operations for 3 pillars of operation risk, establishing the planning of the various risk management tools as well as governing the Bank's database of operation risk loss to monitor the execution of improvement.
3. Scope and characteristics of operation risk report and measuring system	The Bank has enacted the 'Rule for Operation Risk Data Collection' and built up the 'Operation Risk Reporting System'. All operation risk related events need to be reported to Risk Management Division of Business Planning & Administration Dept. and be tracked for those unresolved cases each quarter. The Specific Risk Management Div. shall summarize the operation risk monitoring report and submit it to the board of directors semiannually.
4. Operation risk hedging or reduction policies, and effective strategies and procedures for controlling risk hedging and reduction tools	<ol style="list-style-type: none"> 1. The Bank evaluates the frequency and level of influence with respect to operation risk confronted and adopts a series of risk reduction measures such as insurance, outsourcing operation, procedure improvement, personnel training enhancement, urgent response actions set up and risk hedging. 2. The Bank brings in every possible operation risk into consideration and sets up prevention process while enacting the operation manual for core products. Meanwhile, the operation risk response actions will be enhanced through external and internal audit. 3. The Specific Risk Management Unit reports to the board of directors the risk control circumstances periodically.
5. Approach to require the authorized capital	Basic Index Method

Operation Risk Capital Requirement

Analysis of the Financial Status and Operating Results & Risk Management

As of Dec.31, 2009

Unit: NT\$ in thousand

Year	Gross profit	Capital requirement
2007	8,363,627	
2008	7,720,324	
2009	7,758,468	
Total	23,842,419	1,192,121

D. Market Risk Management System and Capital Requirement of 2009:

Market Risk Management System 2009

Item	Contents
1. Market risk management strategy and procedure	<p>1. The Bank has enacted the “Market Risk Management Guidelines” which has been approved by the board of directors.</p> <p>2. The Bank’s market risk management procedure consists of four steps including risk identification, risk measurement, risk supervision, risk deduction and risk reporting.</p> <p>(1) Risk identification: To identify market risk factors of all products and investment with items listed on or off balance sheet.</p> <p>(2) Risk measurement: To cope with market risk quantification, there is at least one assessment tool for each investment or transaction. The assessment tools include mark-to-market, nominal principal, sensitivity analysis, value at risk and pressure test.</p> <p>(3) Risk control and management: Set out risk limit for all businesses and conduct the supervision pursuant to the monitor frequency. Meanwhile, the Specific Risk Management Div. shall summarize and submit the market risk monitoring report.</p> <p>(4) Risk report: There are regular and exceptional reports. The regular report contains daily monitoring, over-limit and irregular market risk analysis reports. The exceptional report is the report made for business needs in advance.</p> <p>(5) Risk reduction: Risk reduction procedures for adoption such as risk hedging, investment portfolio adjustment, position allocation, stop-loss and close and new transactions prohibition.</p>
2. Market risk management organization and structure:	<p>1. Board of Directors: The Board, the supreme decision-making body of the Bank’s risk management policy, is responsible for 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.</p> <p>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.</p> <p>3. The Specific Risk Management Unit (currently the Risk Management Division of Business Planning & Administration Dept.): implementing the related operations for 3 pillars of market risk, establishing the planning of market risk management tools as well as monitoring risk limits.</p>
3. Scope and characteristics of market risk report and measuring system	<p>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 monitor the investment position periodically.</p> <p>2. The market risk management system may bring out sufficient information to assist the management levels in executing the individual risk control missions, and support the capital requirement approach selected by the Bank and issue relevant internal and external statements as the basis for decision making.</p>
4. Market risk hedging or reduction policies, and effective strategies and procedures for controlling risk hedging and reduction tools	<p>1. The Bank’s market risk reduction is conducted in the following manners: hedging, investment portfolio adjustment, position allocation, stop loss and close and new transactions prohibition.</p> <p>2. The Specific Risk Management Unit monitors limits of all products and reports to the board of directors the risk control circumstances periodically.</p>
5. Approach to require the	Standard Method

Item	Contents
authorized capital	

**Market Risk Capital Requirement
December 31, 2009**

Unit: NT\$ in thousand

Type of risk	Capital requirement
Interest rate risk	19,877
Equity securities risk	205,890
Foreign exchange risk	118,078
Product risk	0
Total	343,845

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, 2009

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	284,138,098	75,024,328	10,179,216	14,044,376	29,816,682	155,073,496
Main capital outflow on maturity	323,010,588	31,071,839	31,429,917	48,316,526	82,802,833	129,389,473
Gap	-38,872,490	43,952,489	-21,250,701	-34,272,150	-52,986,151	25,684,023

Note: The above Table includes only New Taiwan Dollars (excluding foreign currency) assets and liabilities for Head Office and domestic and offshore offices and branches.

b. Maturity Analysis of USD Assets and Liabilities

December 31, 2009

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	2,249,188	408,634	11,617	15,693	113,726	1,699,518
Liabilities	2,249,100	1,022,414	194,298	540,928	306,523	184,937
Gap	88	-613,780	-182,681	-525,235	-192,797	1,514,581
Accumulated Gap	88	-613,780	-796,461	-1,321,696	-1,514,493	88

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

- (a) The Bank's assets and liabilities management mechanism applies the asset and liability interest rate sensitivity and gap analysis for control purpose. For the time being, the Bank has set up the Assets & Liabilities Management Committee to provide guidance, policy instruction and gap management for interest rate. In

addition to full-process monitoring on interest rate fluctuations and gaps, senior executive meetings are called from time to time in accordance with market requirements to exercise overall adjustment and review the Bank's asset and liabilities structure, which will all be presented to the Committee for approval.

- (b) For NTD and foreign currency interest rate risk control, the Bank has well established the trading and funding management system to control daily update in deposits and loans, 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 rate spread analysis. The Bank also utilizes the interest rate adjustment simulation and analysis system to enact the interest rate adjustment strategies.
- (c) For foreign exchange risk, the Bank has designed independent and related procedures and steps for transaction settlement, and has also applied the position control, individual trader position control and stop-loss control etc. to control risk for foreign exchange.
- (d) For liquidity risk, the Bank strictly supervise and monitor cash on hands and deposit and loan movements every day. Meanwhile, we also have launched the mechanism to forecast, measure, calculate and early warn the future needs of funding so as 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: None.

(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, we maintain our management concepts of "Enthusiasm, Steadiness, Efficiency & Innovation" to cultivate the local market and continue the business expansion. There will be 90 branches, after merging Union Bills Finance Corporation, which will not only integrate business resources but also improve our competitiveness in the financial market to achieve our business idea of sustainable operation.

We aimed to provide quality service in addition to expanding operation sites by launching a brand new practice 'lobby in-charge' around the island in 2009 to show our respect to customers and solve problems with our specialty. We mean to provide hospitality and omnibus service so as to upgrade our enterprise image.

Since April 1998, 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 with the optimal objective to sustain the art and culture of Taiwan through promotion of the social artistic atmosphere. In the future, we will continue to generate happiness and launch a series of happiness-related products and activities.

(6) Expected Result and Possible Risks of Mergers and Acquisitions and Response Actions thereof:

The merger between Union Bank of Taiwan and Union Bills Finance Corporation in June 2010 will not only improve the Bank's financial structure, increase our capital size and strengthen capital adequacy ratio

but also help to expand our businesses, enhancing our competitiveness in the market and improve operating value. Moreover, there will not be much business risk after the merger since Union Bills Finance Corporation is a controllable subsidiary of the Bank and is with the same business scope as the banking industry.

(7) Expected Result for Establishing More Business Locations, Possible Risk and Response Actions Thereof:

The establishment of business locations will not only increase transaction volume of deposits/loans and improve profits but also provide comprehensive service to our customers. Nevertheless, there is possibility that the economy scale may not be achieved due to poor branch locations or the business activities may be below our expectation. The Bank will then access the needs for relocation.

(8) Risk in the Over Concentration of Business and Response Action thereof:

The Bank currently concentrates operations in funds allocation, filing and terms amendment for consumer loans as well as court attachment/inquiry, interbank transaction (including debit cards) and liquidation. There won't be a vital operating risk since we have a remote backup system to support the operation or the operation may be switched to other branches in case the system conducts abnormally.

(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.

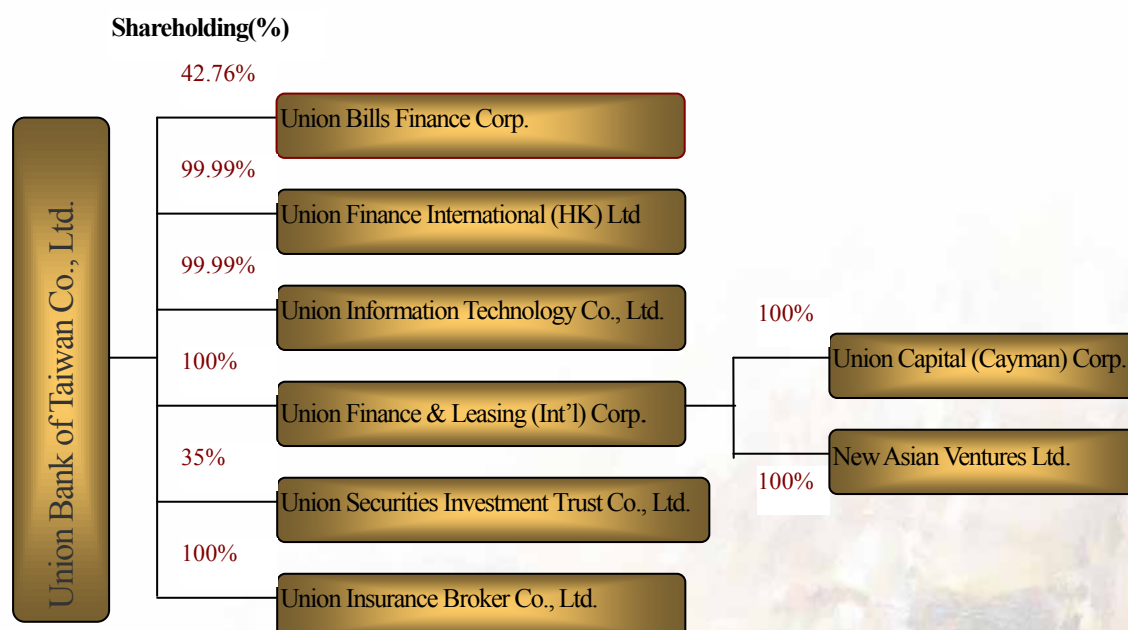
7. Contingency Plan

The Bank enacted the "Main Points for Urgent Response Action to Disasters of Union Bank of Taiwan" and has launched the crisis management taskforce, urgent contact and report mechanism to execute the variety of disaster rescue measures effectively. The various business units shall perform the disaster education training programs and drill 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 more than twice a year.

8. Other Important Matters: None

1. Information on Affiliated Enterprises

(1) Organization Chart



Unit: NTS 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	Unit 18, 35/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong	106,589	Import and export financing
Union Information Technology Co., Ltd.	1998.08.10	10F, No. 109, Sec. 3, Minsheng E. Road, Taipei, Taiwan	10,000	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	700,000	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	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	1	Installment purchase and lease investment businesses

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

December 31, 2009

Name of Enterprise	Title	Name of Representative	Shareholding	
			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)	63,288,000	21.38%
	Executive Director	EnTie Commercial Bank (Representative: Chih Ping Lee)		
	Director	EnTie Commercial Bank (Representative: Huai-Erng Chang)		
	Director	EnTie Commercial Bank (Representative: Yun-Tsong Chang)		
	Independent Managing 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	Shiang-Chang Lee	2	0.000006%
	Director & President	Amanda Lin		
Union Information Technology Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Li-Juen Shen)	999,923	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	Li-Juen Shen		
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: Chao-Shuen Tsai)		
	Director	Goldsun Computer Communication Co., Ltd. (Representative: Kuo-Hwa Lee)	500,000	1.67%
	President	Jun-Dong Cheng		
Union Finance & Leasing (International) Corp.	Chairman	Union Bank of Taiwan (Representative: Cheng-Juh Hsieh)	70,000,000	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 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	13,376,968	10,535,806	2,841,162	300,226	59,583	40,180	0.14
Union Finance & Leasing (International) Corp.	700,000	3,864,940	3,113,437	751,503	694,107	20,603	43,614	0.62
Union Finance International (H.K.) Ltd. Note1	106,589	327,510	245,911	81,598	20,297	7,530	-35,345	-1.19
Union Securities Investment Trust Co., Ltd.	300,000	189,734	35,332	154,402	92,800	33,480	38,123	1.27
Union Information Technology Co., Ltd.	10,000	84,527	59,932	24,595	134,478	27,027	-4,888	-4.89
Union Capital (Cayman) Corp. Note2	1,644	508,772	10	508,762	0	-102	9,237	189.53
Union Insurance Broker Co., Ltd.	5,000	35,875	14,675	21,200	332,037	20,117	15,239	30.48
New Asian Ventures Ltd. Note2	1	107,147	10	107,137	0	(74)	176	181,038.49

Note 1 : HKD:TWD exchange rate as at Dec 31, 2009 was 4.149; average exchange rate for year 2009 was 4.258.

Note 2 : USD:TWD exchange rate as at Dec 31, 2009 was 32.176; average exchange rate for year 2009 was 33.011.

(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 2009 and the current year up to the printing date of the annual: None.

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., Jhongjheng 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., Jhongjheng 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

Branch Name	Address	Telephone
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
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
Yungho 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
Hsinchung Branch	No.601, Sihyuan Rd., Sinhuang City, Taipei County 242, Taiwan (R.O.C.)	(02)8522-7799
Fuguo Branch	No.108, Fuguo Rd., Sinhuang City, Taipei County 242, Taiwan (R.O.C.)	(02)2205-2299
Chungkung Mini Branch	No.308, Jhonggang Rd., Sinhuang City, Taipei County 242, Taiwan (R.O.C.)	(02)2276-9678
Wugu Branch	No.6-1, Sec.3, Chengtai Rd., Wugu Township, Taipei County 248, Taiwan (R.O.C.)	(02)2291-5888
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
Tucheng Branch	No.3, Chengtian Rd., Tucheng City, Taipei County 236, Taiwan (R.O.C.)	(02)2268-1799
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
South Taoyuan Branch	Building A, No.1308, Zhongshan Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)369-7388
Taoying Branch	No.343, Taoying Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)377-9797
Daye Branch	No.388, Sec. 1, Daye Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)357-7388
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
Gaorong Branch	No.226, Sec. 5, Minzu Rd., Zhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)490-9777
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
Luzhu Branch	No.3, Sec. 1, Ren'ai Rd., Luzhu Township, Taoyuan County 338, Taiwan (R.O.C.)	(03)222-1389
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

Bank Directory

Branch Name	Address	Telephone
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
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	Unit 18, 35/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong	(852)2521-1678

Union Bank of Taiwan

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

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

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

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

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

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

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

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

March 1, 2010

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, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009 Amount	2008 Amount	% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	2008 Amount	% Increase (Decrease)
CASH AND CASH EQUIVALENTS (Note 4)	\$ 5,560,882	\$ 6,345,996	(12)	LIABILITIES			
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 26)	57,348,656	42,780,997	34	Call loans and due to banks (Notes 17 and 26)	\$ 18,088,773	\$ 20,074,203	(10)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 3, 6, 26 and 30)	400,971	7,675,019	(95)	Financial liabilities at fair value through profit or loss (Notes 2, 6 and 30)	81,243	212,904	(62)
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 26 and 28)	289,953	6,555,286	(96)	Securities sold under repurchase agreements (Notes 2, 26 and 28)	26,415,907	27,843,332	(5)
RECEIVABLES, NET (Notes 2, 7 and 26)	18,793,040	23,513,603	(20)	Payables (Notes 18 and 26)	3,276,818	4,981,318	(34)
DISCOUNTS AND LOANS, NET (Notes 2, 8, 26 and 30)	169,959,853	180,012,904	(6)	Deposits and remittances (Notes 19, 26 and 30)	271,124,191	277,751,334	(2)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 9, 26 and 30)	7,134,236	6,279,718	14	Bank debentures (Notes 2, 20, 26 and 30)	9,900,000	9,044,300	9
HELD-TO-MATURITY INVESTMENTS (Notes 2, 10 and 30)	9,724,545	36,318,287	(73)	Other financial liabilities (Notes 26 and 30)	242,363	220,896	10
INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Notes 2 and 11)	2,209,409	2,479,374	(11)	Other liabilities (Notes 2 and 22)	<u>470,515</u>	<u>473,441</u>	(1)
OTHER FINANCIAL ASSETS, NET (Notes 2, 12, 13, 26, 27 and 30)				Total liabilities	<u>329,599,810</u>	<u>340,601,728</u>	(3)
Financial assets carried at cost	1,270,885	1,283,956	(1)	STOCKHOLDERS' EQUITY			
No active market debt instruments	50,685,783	20,522,414	147	Capital stock			
Others	<u>5,177,318</u>	<u>2,731,046</u>	90	Common stock at par value of NT\$10 each, authorized - 3,000,000 thousand shares; issued and outstanding - 1,918,824 thousand shares	19,188,244	19,188,244	-
Other financial assets, net	<u>57,133,986</u>	<u>24,537,416</u>	133	Preferred stock	<u>4,000,000</u>	<u>4,000,000</u>	-
PROPERTY AND EQUIPMENT (Notes 2, 14, 26 and 28)				Total capital stock	<u>23,188,244</u>	<u>23,188,244</u>	-
Cost				Capital surplus			
Land	3,552,631	3,619,738	(2)	Donated capital	1,398	1,398	-
Buildings	4,766,076	4,852,345	(2)	Treasury stock transactions	<u>32,413</u>	<u>32,413</u>	-
Machinery and equipment	1,413,579	1,452,436	(3)	Total capital surplus	<u>33,811</u>	<u>33,811</u>	-
Transportation equipment	261,585	257,446	2	Accumulated deficit			
Leasehold improvements	<u>298,545</u>	<u>274,114</u>	9	Legal reserve	-	107,812	(100)
	10,292,416	10,456,079	(2)	Special reserve	-	240,655	(100)
Less: Accumulated depreciation	<u>2,236,464</u>	<u>2,002,185</u>	12	Accumulated deficit	<u>(5,651,650)</u>	<u>(6,256,003)</u>	(10)
Prepayments for land, buildings and equipment	8,055,952	8,453,894	(5)	Total accumulated deficit	<u>(5,651,650)</u>	<u>(5,907,536)</u>	(4)
	<u>218,682</u>	<u>57,333</u>	281	Other equity			
Net property and equipment	<u>8,274,634</u>	<u>8,511,227</u>	(3)	Unrealized gain (loss) on financial instruments	17,065	(244,849)	107
GOODWILL (Notes 2 and 16)	<u>2,369,638</u>	<u>2,507,396</u>	(5)	Cumulative translation adjustments	31,662	49,843	(36)
OTHER ASSETS (Notes 2, 15 and 24)	<u>7,930,237</u>	<u>10,173,726</u>	(22)	Net loss not recognized as pension cost	<u>(88,902)</u>	<u>(30,292)</u>	193
TOTAL	<u>\$ 347,130,040</u>	<u>\$ 357,690,949</u>	(3)	Total other equity	<u>(40,175)</u>	<u>(225,298)</u>	(82)
				Total stockholders' equity	<u>17,530,230</u>	<u>17,089,221</u>	3
				CONTINGENCIES AND COMMITMENTS (Notes 2 and 28)			
				TOTAL	<u>\$ 347,130,040</u>	<u>\$ 357,690,949</u>	(3)

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

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

UNION BANK OF TAIWAN

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

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

(Continued)

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

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

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

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

(Concluded)

UNION BANK OF TAIWAN

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

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

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

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

UNION BANK OF TAIWAN

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

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

UNION BANK OF TAIWAN

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

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

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

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

(Concluded)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Basis of Financial Statement Preparation

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

Basis of Fair Value Determination

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

Financial Instruments at Fair Value Through Profit or Loss

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

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

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

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

Securities Purchased or Sold Under Resell or Repurchase Agreements

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

Available-for-sale Financial Assets

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

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

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

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

Nonperforming Loans

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

Allowance for Credit Losses and Provision for Losses on Guarantees

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

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

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

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

Held-to-maturity Investments

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

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

Investments Accounted for by the Equity Method

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

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

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

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

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

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

Property and Equipment

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

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

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

Other Financial Assets

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

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

Goodwill

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

Other Assets

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

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

Collaterals Assumed

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

Impairment of Assets

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

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

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

Pension Cost

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

Convertible Bank Debentures

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

Compound Instruments

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

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

Trading Loss Reserve

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

Recognition of Interest Revenue and Service Fees

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

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

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

Income Tax

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

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

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

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

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

Foreign-currency Transactions

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

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

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

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

Contingencies

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

Reclassifications

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

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

Accounting for Financial Instruments

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

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

4. CASH AND CASH EQUIVALENTS

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

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

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

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

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

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Appendix 1

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

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

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

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

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

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

7. RECEIVABLES, NET

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

8. DISCOUNTS AND LOANS, NET

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

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

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

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

	2009		
	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 3,376,015	\$ 76,965	\$ 3,452,980
Provision	1,049,252	310,175	1,359,427
Write-off	(3,162,495)	-	(3,162,495)
Recovery of written-off credits	786,431	-	786,431
Effects of changes in foreign exchange rates	1,368	-	1,368
Balance, end of year (Note)	\$ 2,050,571	\$ 387,140	\$ 2,437,711
	2008		
	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 3,157,535	\$ 1,184,058	\$ 4,341,593
Provision	2,692,090	-	2,692,090
Write-off	(4,145,290)	(107,093)	(4,252,383)
Recovery of written-off credits	671,056	-	671,056
Classification	1,000,000	(1,000,000)	-
Effects of changes in foreign exchange rates	624	-	624
Balance, end of year (Note)	\$ 3,376,015	\$ 76,965	\$ 3,452,980

Appendix 1

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

10. HELD-TO-MATURITY FINANCIAL ASSETS

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

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

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

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

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

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

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

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

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

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

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

12. FINANCIAL ASSETS CARRIED AT COST

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

Appendix 1

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

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

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

13. NO-ACTIVE MARKET DEBT INSTRUMENTS

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

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

14. PROPERTY AND EQUIPMENT

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

15. OTHER ASSETS

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

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

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

16. GOODWILL

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

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

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

17. CALL LOANS AND DUE TO BANKS

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

18. PAYABLES

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

19. DEPOSITS AND REMITTANCES

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

20. BANK DEBENTURES

	December 31		Term
	2009	2008	
First unsecured, convertible bank debentures issued in 2004	\$ -	\$ 44,300	Zero coupon; maturity: September 2009; the bondholders may convert the debentures into common shares of the Bank during the period between one month after the issuance date and 10 days prior to maturity.
First subordinated bank debentures issued in 2004	1,500,000	1,500,000	Average one year time savings deposit rate of First Bank, Hua Nan Bank, Chang Hwa Bank, Land Bank, Taiwan Cooperative Bank and Bank of Taiwan plus 1%; maturity: June 2010.
Second subordinated bank debentures issued in 2004	3,500,000	3,500,000	Fixed interest rate of 3.55%; maturity: June 2010.
First subordinated bank debentures issued in 2005	2,000,000	2,000,000	Fixed interest rate of 2.60%; maturity: June 2011.
First subordinated bank debentures issued in 2006 - class A	1,200,000	1,200,000	Fixed interest rate of 2.60%; maturity: May 2012.
First subordinated bank debentures issued in 2006 - class B	800,000	800,000	One year time savings deposit rate of First Bank plus 0.3%; maturity: November 2013.
First subordinated bank debentures issued in 2009	900,000	-	Fixed interest rate of 2.95%; maturity: June 2016.
	<u>\$ 9,900,000</u>	<u>\$ 9,044,300</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, 2009 the Bank redeemed \$1,760,400 thousand of the Debentures.

b. Pledged: None.

c. Conversion period and conversion right

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

d. Conversion price

The initial conversion price was set at NT\$10.85.

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

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

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

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

21. STOCKHOLDERS' EQUITY

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

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

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

b. Capital surplus

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

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

c. Retained earnings

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

- 1) 30% as legal reserve;
- 2) Special reserve, as deemed proper;
- 3) Dividends;
- 4) The remainder:
 - a) Employees' bonus of at least 10%;
 - b) Retained earnings, as deemed proper;
 - c) The remainder, together with prior year's unappropriated earnings: 95% as bonus to stockholders and 5% as remuneration to directors and supervisors.

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

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

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

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

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

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

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

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

22. PENSION PLAN

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

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

Other information on the defined benefit plan is as follows:

a. Components of net pension cost

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

Appendix 1

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

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

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

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

- d. Pension fund changes are summarized below:

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

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

24. INCOME TAX EXPENSE (BENEFIT)

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

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

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

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

Deferred income tax assets (liabilities) were as follows:

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

Appendix 1

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

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

Loss carryforwards as of December 31, 2009 comprised:

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

Information on integrated income tax is as follows:

	December 31	
	2009	2008
Balances of the imputation credit account	<u>\$ 329,423</u>	<u>\$ 290,625</u>

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

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

25. EARNING (LOSS) PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>Earning (Loss) Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>2009</u>					
Basic EPS	\$ 675,508	\$ 255,886	1,918,824	<u>\$ 0.35</u>	<u>\$ 0.13</u>
Effect of potential dilutive convertible preferred stock	-	-	<u>400,000</u>		
Diluted EPS	<u>\$ 675,508</u>	<u>\$ 255,886</u>	<u>2,318,824</u>	<u>\$ 0.29</u>	<u>\$ 0.11</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>

26. RELATED-PARTY TRANSACTIONS

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

a. Related parties and their relationships with the Bank

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

(Continued)

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

(Concluded)

b. Significant transactions with related parties:

1) Loans

December 31, 2009

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

December 31, 2008

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2009	Ending Balance	Loans Classification		for Unrelated Parties	Differences in Terms of Transaction from 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		Interest Revenue		
	Amount	%	Rate	Amount	%
2009	\$ 3,623,529	2.13%	0.77%-14.17%	\$ 54,607	0.57%
2008	3,610,805	2.01%	1.98%-19.02%	107,234	0.72%

2) Deposits

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

3) Guarantees and letters of credit

December 31, 2009

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

December 31, 2008

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

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

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

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

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

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

6) Securities purchased under resell agreements

	Purchase of Securities (Note)	Sale of Securities (Note)	Year of 2009			
			Securities Sold under Repurchase Agreements		Securities Purchased under Resell Agreements	
			Balance of December 31	Rate (%)	Balance of December 31	Rate
UBF	\$ 34,347,995	\$ 28,545,742	\$ -	-	\$ -	-
	Purchase of Securities (Note)	Sale of Securities (Note)	Year of 2008			
			Securities Sold under Repurchase Agreements		Securities Purchased under Resell Agreements	
			Balance of December 31	Rate (%)	Balance of December 31	Rate
UBF	\$ 42,541,990	\$ 31,364,195	\$ -	-	\$ 2,048,322	0.5%-0.77%
USITC	497,779	-	-	-	-	-

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

7) Securities brokerage fees

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

8) Consulting and advisory contract

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

9) Leases

a) The Bank as lessee

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

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

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

b) The Bank as lessor

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

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

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

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

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

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

12) Bank debentures

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

13) Acquisition of property and equipment

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

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

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

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

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

c. Compensation of directors, supervisors and management personnel:

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

27. PLEDGED ASSETS

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

28. CONTINGENCIES AND COMMITMENTS

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

a. Operating leases

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

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

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

b. Computer equipment purchase contracts

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

c. Securities sold under repurchase agreements

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

d. Securities purchased under resell agreements

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

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

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

**Balance Sheet of Trust Accounts
December 31, 2009**

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

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

Trust Income Statement
Year Ended December 31, 2009

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

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

Trust Income Statement
Year Ended December 31, 2008

	Amount
Trust income	
Interest revenue - demand account	\$ 437
Interest revenue - time deposit	5,276
Interest revenue - short-term bills and securities purchased under resell agreements	10,450
Cash dividend	4,650
Realized capital gain - fund	4,010
Income from beneficiary certificates	<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>
Income before tax	4,648
Income tax expense	<u>(465)</u>
Income 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>

Appendix 1

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

Trust Property and Equipment Accounts December 31, 2009

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

Trust Property and Equipment Accounts December 31, 2008

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

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

(Continued)

Appendix 1

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

	2008	
	Average Balance	Average Rate (%)
<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	18,240,209	11.02
Available-for-sale financial assets	4,068,702	2.01
Held-to-maturity investments	40,719,291	7.22
Non-active market debt instruments	12,700,778	6.59

<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

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

- 1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables (tax refundable excluded), call loans and due to banks, securities sold under repurchase agreements, payable (tax payable excluded) and remittances.
- 2) Fair values of financial instruments designated as at FVTPL and available-for-sale or held-to-maturity financial assets are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

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

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

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

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

Appendix 1

- 4) Financial assets carried at cost are investments in unquoted shares, i.e., shares that have no quoted prices in an active market and entail an unreasonably high cost to determine their fair values. Therefore, no fair value is presented.
 - 5) Refundable deposits have no specified maturity date and thus its market value is estimated based on its carrying value in the balance sheet. The carrying value of the guarantee deposits received is the reasonable base to estimate their market values as the carrying value is the current pay-off price.
 - 6) The fair values of bank debentures are estimated based on the price published by GTSM.
 - 7) The fair values of forward contracts, cross-currency swap contracts and interest rate swap contracts are based on present value techniques. Options' fair value are based on estimates using Black Scholes model.
- c. Fair value of financial assets and financial liabilities determined based upon quoted market prices or valuation techniques summarized as follows:

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

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

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

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

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

d. Financial risks

1) Market risk

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

2) Credit risk

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

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

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

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

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

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

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

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

3) Liquidity risk

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

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

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

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

	December 31, 2008					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due After One Year	Total
<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	500	-	38,155	8,992	36,270,640	36,318,287
No active market debt instruments	501	8,632	14,692	10,858	21,450,120	21,484,803
	<u>90,602,142</u>	<u>8,406,172</u>	<u>11,329,924</u>	<u>16,515,404</u>	<u>207,471,202</u>	<u>334,324,844</u>
<u>Liabilities</u>						
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>\$ 34,717,819</u>	<u>\$ (29,154,447)</u>	<u>\$ (30,884,752)</u>	<u>\$ (80,373,072)</u>	<u>\$ 100,111,905</u>	<u>\$ (5,582,547)</u>

e. Reclassifications

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

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

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

Appendix 1

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

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

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

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

31. MARKET RISK CONTROL AND HEDGE STRATEGY

a. Risk managing indicators and strategy

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

b. Quantifiable risk measurement and control

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

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

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

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

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

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

- b) The price risk control: Marked-to-market valuation method which values the open position by settlement price daily. The data of sensitivity analysis of all outstanding position and stop-loss monitor information can be obtained through trading management system.
 - c) The risk report: To ensure risk control effectively, outstanding position report and integrated risk management report are available on a continuing basis.
- 3) Operational risk
- a) Establishment of the strategy procedures at an all-bank level control procedure and process.
 - b) Establishment of database and reporting system of the operational risk loss data by activity units or activities, and keep the data to improve internal control.
 - c) Establish information and employees backup system to lower the loss of spot situation.
- 4) Liquidity risk

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

32. CAPITAL ADEQUACY RATIO

(In Thousands of New Taiwan Dollars, %)

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

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets
- 4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets
- 5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets
- 6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets
- 7) Ratio of common stock to total assets = Common stock ÷ Total assets
- 8) Leverage ratio = Tier 1 capital ÷ Adjusted average total asset (the average total asset - goodwill, deferred losses on the sale of nonperforming loans and the amount of ineligible items (as defined in the “Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks”) deducted from the Tier 1 capital

(In Thousands of New Taiwan Dollars, %)

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 assets	Credit risk	Standardized approach	154,638,398	169,321,710	
		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	
Leverage ratio			2.45	3.07	

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

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

a. Credit risks

- 1) Asset quality: Table 5 (attached)
- 2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

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

b. Interest rate sensitivity

**Interest Rate Sensitivity
December 31, 2009**

(In Thousands of New Taiwan Dollars, %)

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

**Interest Rate Sensitivity
December 31, 2008**

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

Appendix 1

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

Interest Rate Sensitivity December 31, 2009

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

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

Interest Rate Sensitivity December 31, 2008

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

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

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

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

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

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

c. Liquidity risk

1) Profitability:

(%)

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

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

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

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

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

2) Maturity analysis of assets and liabilities:

**Maturity Analysis of Asset and Liabilities
December 31, 2009**

(In Thousands of New Taiwan Dollars)

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

**Maturity Analysis of Asset and Liabilities
December 31, 2008**

(In Thousands of New Taiwan Dollars)

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

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

**Maturity Analysis of Assets and Liabilities
December 31, 2009**

(In Thousands of U.S. Dollars)

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

**Maturity Analysis of Assets and Liabilities
December 31, 2008**

(In Thousands of U.S. Dollars)

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

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

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

34. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees:

- 1) Financing provided: The Bank and Union Bills Financial Corporation - not applicable; investee company - none
- 2) Endorsement/guarantee provided: The Bank and Union Bills Financial Corporation - not applicable; investee company - Table 1 (attached)
- 3) Marketable securities held: The Bank - not applicable; investee company: Table 2 (attached)
- 4) Acquired and disposed of investee investment at costs or prices of at least NT\$300 million or 10% of the issued capital: None
- 5) Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital: None
- 6) Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital: None
- 7) Allowance for service fee to related parties amounting to at least NT\$5 million: None
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 3 (attached)
- 9) Sale of nonperforming loans: None
- 10) Financial asset securitization: Table 4 (attached)
- 11) Other significant transactions which may affect the decision of financial statements users: Table 5 (attached)
- 12) The information of investees: Table 6 (attached)
- 13) Derivative financial transactions: Please see Note 30. The investees' related information is as follows:

Union Bills Finance Corporation (UBF)

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

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

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

b) Fair value of derivative financial instruments

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

c) Market price risk

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

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

d) Credit risk

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

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

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

e) Liquidity risk

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

f) Accounting policy for derivative instruments

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

b. Investment in Mainland China: None.

35. SEGMENT INFORMATION

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

UNION BANK OF TAIWAN

ENDORSEMENTS/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2009

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

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

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

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

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

(Continued)

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

(Continued)

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

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

Note 1: Union Finance and Leasing International Corporation:

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

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

Note 3: New Asian Ventures Ltd.:

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

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

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

(Concluded)

UNION BANK OF TAIWAN

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

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

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

TABLE 4

UNION BANK OF TAIWAN

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

Special Purpose Trust

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

Guarantee deposit:

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

Movements of the allowance for doubtful accounts were as follows:

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

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

UNION BANK OF TAIWAN

ASSET QUALITY

DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

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

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

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

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

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

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

(Continued)

Not reported as nonperforming loans or nonperforming receivables

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

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

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

(Concluded)

UNION BANK OF TAIWAN

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

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

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