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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.

2011 Annual Report



Shang -Wu Wu
Authorized by Union Culture Foundation



I. Spokesman

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

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Second Spokesman

Name: Mr. Yanger Yang / Title: Department Manager

Tel.: 02-27180001

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II. Head Office/Domestic Branch, address, and telephone:

Please refer to page 109 ~112.

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 marketable securities exchange company and transaction information: None

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

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1. Results of Operation for 2011

(1) Domestic and International Financial Environment

Domestic economy grew steadily in the first half of 2011. However impacted by Japan earthquake in March and lingering European sovereign-debt crisis, the pace of economic expansion in the second half slowed down world-wide. The domestic economy was therefore affected and the economic prospect had been showing a downward dynamic.

According to the data of the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, Taiwan's economic growth rate slipped to only 4.04% in 2011, a significant drop of 6.78% from the 10.82% attained in 2010. It had thus indirectly reduced our general purchasing power and willingness to invest. Through the Central Bank's continuous upward adjustment of rediscount rate during period from June 2010 to July 2011, the interest rate spread in the Banking industry was able to widen slightly and hence improve the banks' overall profitability.

(2) Changes in Bank Organization

In response to the termination of marketing outsourcing for vehicle loan business, a new Vehicle Loan Department was established on April 1, 2011 to take charge of the planning, promotion and management of vehicle loan business.

(3) Business Plan, Results of Operations and Budget Execution Status

In 2011, while the growth in domestic and international economies slackened and even showed a downward slide, the Bank still achieved a brilliant performance in its various business activities. We attribute this success to all employees' hard work and proactive sales promotion efforts. The net profit after tax for the Bank in 2011 is 1.827 billion NT dollars (NTD), showing a 29.51% growth compared to that attained in 2010. After tax EPS is 1 dollar; Return on Assets (ROA) was 0.5%. Return on Equity (ROE) was 8.69%; Non-performing loan (NPL) rate reduced significantly to 0.36%, Loan Loss Coverage Ratio increased substantially to 280%; the Bank's credit rating outlook was revised upward from "Stable" to "Positive" by Taiwan Ratings Corporation on December 13, 2011. Overall, the status of the Bank's operation, earning performance and asset quality are all improved. Many financial indicators even surpassed the annual industry average of all domestic banks as a whole.

Letter to Shareholders

(4) Revenue/Expenditure and Profitability

Total income for 2011 amounted to 7.307 billion NTD which consists of a net interest income of 6.662 billion NTD and a net non-interest income of 0.645 billion NTD. It represented a growth rate of 6% or an increase of 0.406 billion NTD when compared to the 6.901 billion NTD of 2010. The total profit before tax is 2.221 billion NTD which was 89% of the annual target of 2.5 billion NTD, representing an increase of 0.389 billion NTD or a 21.22% growth compared with those of 2010.

2. Credit Rating

| Rating Agency | Date of Rating | Rating Results | | Prospect |
|----------------------------|----------------|--------------------|----------------------|----------|
| Taiwan Ratings Corporation | Dec. 13, 2011 | Long-Term: twA- | Short-Term: twA-2 | Positive |

3. 2011 Business Plan

(1) Primary objective is to augment the Bank's market share in various businesses. The development policies for main businesses are as follows:

1. Deposit Business: Proactively attract deposit for expanding operation foundation and providing sufficient working capital to increase market share. Extensively install ATMs outside of the Bank premises to enhance the Bank's brand image through the extension of service channel.
2. Corporate Banking Business: In order to ensure business profitability and risk stability, the Bank will actively promote the industrial and commercial loans and give priority to self-liquidating loans, and utilize Credit Guarantee Fund and request high-quality collaterals to increase protection to the Bank's interests.
3. Consumer Banking Business: Residential mortgage lending will be focusing on genuine home buyers with tangible repayment ability. Vehicle loan business is to actively cooperate with good car dealer alliance by offering special loan projects to stabilize the channel of used car loans.
4. Credit Card Business: Design Cards with services which cater for different consumption attributes and are competitive in the market and initiate various promotion activities to stimulate credit card purchases and increase income from this field. Besides, actively develop large-scale retail stores to grab market share.
5. Wealth Management Business: To cope with changes in the investment markets and investor behavior, the Bank will strengthen its promotion on defensive type of products to lower the impact both on customer asset net worth and the Bank's income from wealth management business. The Bank will be continuously expanding the number of new customers as its primary objective.

(2) Channel Expansion:

1. The Bank has currently 87 domestic branches. With operations base added after

the merger of Union Bills Finance Corporation, the number of domestic branches will reach 90 in the near future. In response to the internationalization trend in the market, the Bank has obtained approval from Financial Supervisory Commission to set up a branch in Hong Kong to expand its business operations into overseas market.


2. To provide customers with more convenient services, the Bank has worked in alliance with the well-known local supermarket “Hi-Life Convenience Store” by installing the Bank’s ATM machines in supermarket outlets. It is estimated that the total number of ATMs to be installed for this purpose will reach 350 in 2012. This shall enhance the Bank’s brand image and prominence.
- (3) The Bank’s Projected Operating Targets for 2012
1. The year-end balance of deposit business is expected to grow 11 percent to 360.2 billion NTD.
 2. The year-end balance of loan business is expected to grow 9.17% to 213.6 billion NTD
 3. The foreign exchange business volume will reach 4.307 billion US dollars.
 4. Improvements of business performance indicators: including reduction of the NPL (Non-performing loan) ratio to be lower than the industry’s average, increase of the bad debt coverage ratio to more than 300% and maintain loan coverage ratio to be above 1% and finally, to maintain the BIS ratio at above 12%.

4. External Factors and Future Development Strategies


Look into the prospect of 2012, it is expected that the economy at domestic and international markets will continue to be affected by the financial problems in European countries and the United States, and by the weakening economic growth momentum in China, thus causing an impediment to economic growth. However, the government is actively developing and adopting various measures to boost economy. That should stimulate private investments and help domestic economy to gain a moderate growth. To meet with the challenges of different changes in the future, the Bank’s main strategies and targets will be: to enhance market share and the scale of core profit-making business (Such as: SME loan, consumer banking and wealth management), to actively strengthen all business units’ channel efficiency and competitiveness, to improve business performance and build a well-rounded financial operating system to serve the customers.

We are very grateful to you for your long-term patronage and strong support in the past. We will endeavor to present a marvelous feat of performance under the Bank’s operating mottoes of “Enthusiasm, Soundness, Efficiency and Innovation” through improving the quality of service and strengthening customer-bank relationships. Your continued support and encouragement in the future would be much appreciated.

Yours sincerely,

董事長 李憲章 

Chairman Shiang-Chang Lee

總經理 林鴻軒 

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 set up the Ho Chi Minh City Representative Office in Vietnam and Hong Kong Representative Office in Hong Kong on February 25, 1998 and August 24, 1999, respectively. To expand business channels and the scale of operations, the Bank acquired Chung Shing Bank unconditionally on March 19, 2005.

2. Merger, Acquisition, Reinvestment in Affiliated Enterprises and Corporate Restructure During 2011 and Current Year Up to the Printing Date of the Annual Report

None

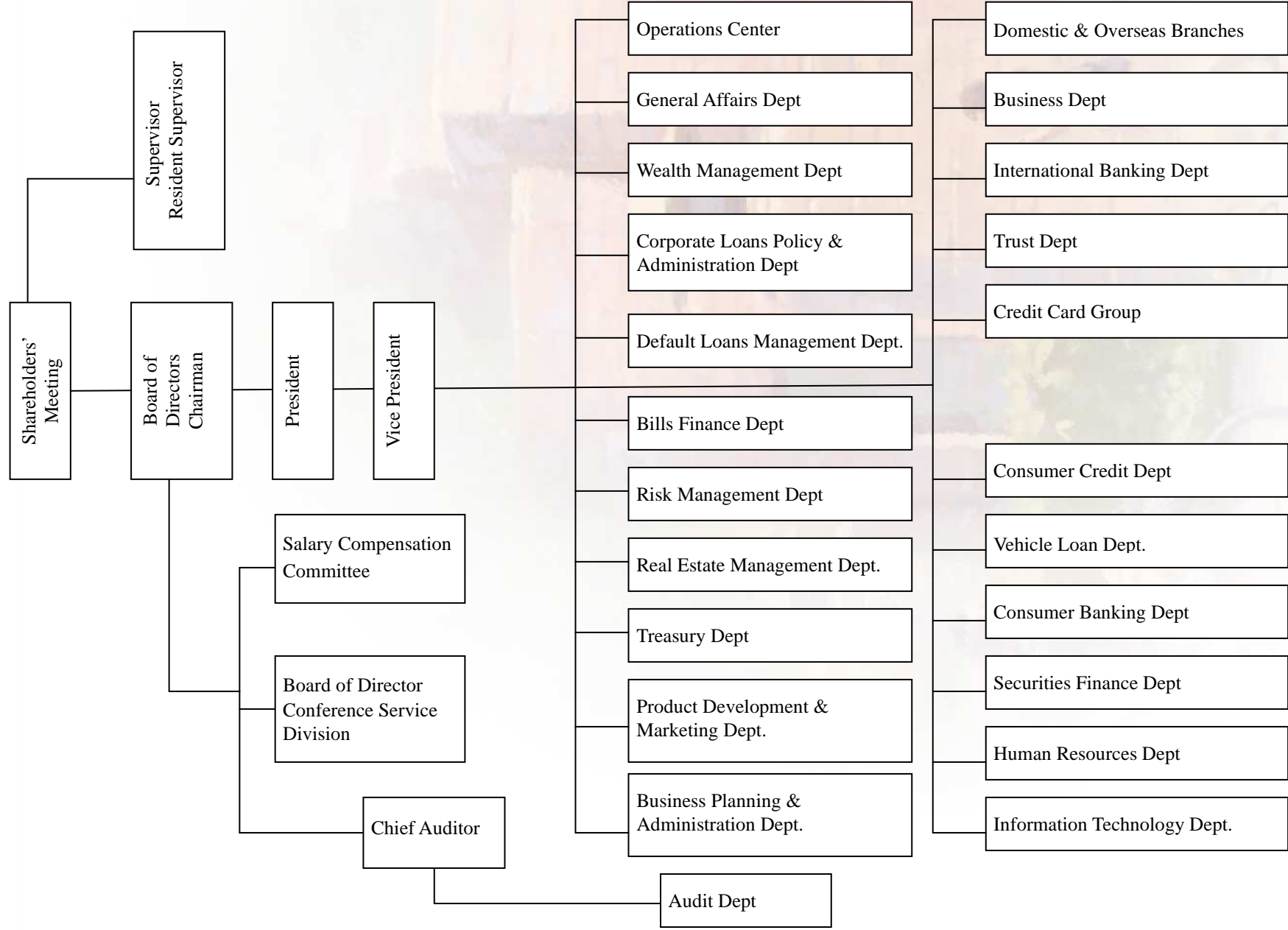
3. Form of Organization

The Bank is a commercial bank limited by shares, but 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

Our shareholder composition only changed slightly in 2010. 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. Organization Structure
(1) Organization 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.



Corporate Governance

Bills Finance Department:

Responsible for pursuing and managing the bills and bonds business plans.

Risk Management Department:

Responsible for managing the Bank's credit risks, market risks and operational risks.

Vehicle Loan Department:

In charge of vehicle loan business's planning, promotion and management.

Corporate Governance

2. Information on Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors

A. General Information

Recordation Date: March 31, 2012 (Shares Holding Recordation Date: April 24, 2012)

Unit: Shares ; %

| Title | Name | Date of Elected | Term | Date of Initial Appointment | Shareholding at Appointment | | Current Shareholding | | Current Shareholding of Spouse & Minors Children | | Shareholding Under Other's Title | | Experience & Qualification | Current Positions in the Bank and Other Company | Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other | | |
|-------------------------------|------------------|-----------------|-------|-----------------------------|-----------------------------|--------------------|----------------------|--------------------|--|--------------------|----------------------------------|--------------------|---|---|--|------|----------|
| | | | | | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | | | Title | Name | Relation |
| Chairman | Shiang-Chang Lee | 2009.06.19 | 3 Yrs | 1991.12.10 | 1,152,207 | 0.049% | 1,016,944 | 0.052% | 1,594,750 | 0.081% | - | - | National Taiwan University; President of UBOT | Union Finance International (HK) Director - | None | None | None |
| Independent Managing Director | Kao-Jing Wang | 2009.06.19 | 3 Yrs | 2009.06.19 | - | - | - | - | - | - | - | - | Master Degree, University of North Dakota; SEVP, Bank of Taiwan | - | None | None | None |
| Managing Director | Zhen-Xong Jiang | 2009.06.19 | 3 Yrs | 1991.12.10 | 4,597,043 | 0.198% | 4,712,865 | 0.241% | - | - | - | - | National Defense Medical School; Commissioner of International Rotary Club | Managing Director of Union Optronics Corp. | None | None | None |
| 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 | Supervisor of Ever Rich Duty Free Co., Ltd. | None | None | None |
| Director | Jin-Fu Liu | 2009.06.19 | 3 Yrs | 1991.12.10 | - | - | - | - | - | - | - | - | Taipei Technical Academy; Director of Li-Chang Ceramics Co., Ltd. | Director of Li-Chang Ceramics Co., Ltd. | None | None | None |

Corporate Governance

| Title | Name | Date of Elected | Term | Date of Initial Appointment | Shareholding at Appointment | | Current Shareholding | | Current Shareholding of Spouse & Minors Children | | Shareholding Under Other's Title | | Experience & Qualification | Current Positions in the Bank and Other Company | Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other | | |
|----------|--|-----------------|-------|-----------------------------|-----------------------------|--------------------|----------------------|--------------------|--|--------------------|----------------------------------|--------------------|--|--|--|------|----------|
| | | | | | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | | | Title | Name | Relation |
| Director | Yu-Quan Lee | 2009.06.19 | 3 Yrs | 2009.06.19 | 3,505,303 | 0.151% | 2,650,963 | 0.136% | - | - | - | - | National Taiwan Normal University; Supervisor of First Commercial Bank | Director of Yu-Quan Chairman of TWT Communication Corp.; Director of Taiwan 1st Multiple Development Co., Ltd. Media Co., Ltd.; Chairman of Tien-How Construction Co., Ltd. | None | None | None |
| Director | Union Enterprise Construction Co., Ltd. Representative: Jeff Lin | 2009.06.19 | 3 Yrs | 1991.12.10 | 71,684,310 | 3.091% | 68,477,951 | 3.514% | 4,214,644 | 0.216% | - | - | Master Degree, National Taiwan University; President of Union Bank of Taiwan | Supervisor of Union Recreation Enterprise Corp.; Director of The Liberty Times Managing Director of Union Dyeing and Finishing Co., Ltd. Union Finance International (HK) Director | None | None | None |
| Director | Chung-Li Investment Co., Representative: Yao-Nan Lai | 2009.06.19 | 3 Yrs | 1994.06.01 | 198,454,283 | 8.558% | 150,085,418 | 7.702% | 606,257 | 0.031% | - | - | National Taiwan University Chairman of Union Bills & Finance Corp | - | None | None | None |

Corporate Governance

| Title | Name | Date of Elected | Term | Date of Initial Appointment | Shareholding at Appointment | | Current Shareholding | | Current Shareholding of Spouse & Minors Children | | Shareholding Under Other's Title | | Experience & Qualification | Current Positions in the Bank and Other Company | Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other | | |
|---------------------|--|-----------------|-------|-----------------------------|-----------------------------|--------------------|----------------------|--------------------|--|--------------------|----------------------------------|--------------------|--|---|--|------|----------|
| | | | | | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | | | Title | Name | Relation |
| Director | Chung-Li Investment Co., Representative: Sue-Feng Tsao | 2009.06.19 | 3 Yrs | 1994.06.01 | 198,454,283 | 8.558% | 150,085,418 | 7.702% | 2,664 | - | - | - | 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. | None | None | None |
| Standing Supervisor | Yu-Pang Co., Ltd. Representative: Jia-Yi Wang | 2009.06.19 | 3 Yrs | 1994.06.01 | 18,962,581 | 0.818% | 28,605,984 | 1.468% | - | - | - | - | Judicial Training Program, The Judges and Prosecutors Training Institute; President of Supreme Court | - | None | None | None |
| Supervisor | Pao-Hsing Investment Co., Ltd. Representative: Zhen-Lu Lin | 2009.06.19 | 3 Yrs | 2006.06.09 | 90,610,217 | 3.907% | 68,525,970 | 3.516% | 362,844 | 0.018% | - | - | National Taiwan University; President of Formosa Transnational Attorneys At Law | - | None | None | None |

Corporate Governance

| Title | Name | Date of Elected | Term | Date of Initial Appointment | Shareholding at Appointment | | Current Shareholding | | Current Shareholding of Spouse & Minors Children | | Shareholding Under Other's Title | | Experience & Qualification | Current Positions in the Bank and Other Company | Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other | | |
|------------|-------------|-----------------|-------|-----------------------------|-----------------------------|--------------------|----------------------|--------------------|--|--------------------|----------------------------------|--------------------|--|---|--|------|----------|
| | | | | | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | | | Title | Name | Relation |
| Supervisor | Si-Yong Lin | 2009.06.19 | 3 Yrs | 1991.12.10 | 16,934,581 | 0.730% | 13,025,492 | 0.668% | 1,129,883 | 0.057% | - | - | National Taiwan Normal University Director of Hong-Bung Construction Enterprise Co., Ltd. | Supervisor of Lung Shan Lin Realstate Management Corp.; Director of Union Optronics Corp.; Chairman 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 Realstate Management Corp.; Director of Union Dyeing and Finishing Co., Ltd.; Supervisor of Lung Shan Lin Enterprise Co., Ltd.; Director of Hong-Bung Construction Enterprise Co., Ltd.; Responsible Person of Ren-Shun Café. | None | None | None |

Corporate Governance

B. Major Institutional Shareholders

| Name of Shareholder | Major Shareholders of Institutional Shareholder |
|---|---|
| Yu-Pang Co., Ltd. | Lin Chang Su-O, Hong-Yao Lin, Hong-Bang Lin, Rong-San Lin, & Jeff Lin |
| Chung-Li Investment Co., Ltd. | Sue-Feng Tsao, Hong-Bang Lin, Tsong-Yu Lee, & Si-Yong Lin |
| Union Enterprise Construction Co., Ltd. | Lin Chang Su-O, Hong-Yao Lin, Ya-Juan Lin, & Hong-Bang Lin |
| Pao-Hsing Investment Co., Ltd. | Chiu-Tze Lin, Chuan-Jong Chang, Chiao-Yun Huang, & Hsiu-Ching Lee |

C. Professional Knowledge and Independence Information of Directors and Supervisors

| Qualification | 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) | |
| Name | | | | | | | | | | | | | | |
| 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 | | | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | - |

Corporate Governance

| Qualification | 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) | |
| Name | | | | | | | | | | | | | | |
| 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: Two years before the directors and supervisors are elected or during the period they are on the jobs, if they meet the following criteria, please make a “√” mark in the space under the criteria codes.

- (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. Director and Supervisors' Training Records

| Title | Name | Date of Training | | Organizer | Course Name | Hours | Has the Director or Supervisor Met the Training Requirements ^{Note} |
|----------|------------------|------------------|------------|---------------------------------------|--|-------|--|
| | | From | To | | | | |
| Chairman | Shiang-Chang Lee | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| | | 2011.12.08 | 2011.12.08 | Trust Association of R.O.C. | The Changes of Hong Kong's Banks and Trust Business in the recent twenty years and the Direction of Future Development | 3 | Yes |
| Director | Yu-Quan Lee | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| Director | Zhen-Xong Jiang | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| Director | Jin-Fu Liu | 2011.12.23 | 2011.12.23 | Trust Association of R.O.C. | Practical Trust Business and Legal Development Trend Seminar | 3 | Yes |

Corporate Governance

| Title | Name | Date of Training | | Organizer | Course Name | Hours | Has the Director or Supervisor Met the Training Requirements ^{Note} |
|----------|---------------|------------------|------------|---------------------------------------|--|-------|--|
| | | From | To | | | | |
| Director | Zen-Fa Lu | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| Director | Kao-Jing Wang | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| Director | Jeff Lin | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| | | 2011.12.23 | 2011.12.23 | Trust Association of R.O.C. | Practical Trust Business and Legal Development Trend Seminar | | |
| Director | Yao-Nan Lai | 2011.11.24 | 2011.11.24 | Taiwan Stock Exchange | Taipei Corporate Governance Forum | 3 | Yes |
| Director | Sue-Feng Tsao | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |

Corporate Governance

| Title | Name | Date of Training | | Organizer | Course Name | Hours | Has the Director or Supervisor Met the Training Requirements ^{Note} |
|------------|-------------|------------------|------------|---------------------------------------|--|-------|--|
| | | From | To | | | | |
| Supervisor | Si-Yong Lin | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| Supervisor | Jia-Yi Wang | 2011.12.05 | 2011.12.05 | Taiwan Academy of Banking and Finance | Corporate Governance Workshops (Company Material Information Disclosure and Responsibilities and Obligations of Directors and Supervisors) | 3 | Yes |
| Supervisor | Zhen-Lu Lin | 2011.11.24 | 2011.11.24 | Taiwan Stock Exchange | Taipei Corporate Governance Forum | 3 | Yes |
| | | 2011.11.24 | 2011.11.24 | Taiwan Stock Exchange | Taipei Corporate Governance Forum | | |
| | | 2011.12.23 | 2011.12.23 | Trust Association of R.O.C. | Practical Trust Business and Legal Development Trend Seminar | | |

Corporate Governance

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

Recordation Date: March 31, 2012 (Shares Holding Recordation Date: April 24, 2012)

Unit: Shares ; %

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|--------------|----------------|--------------|--------|---|---|----------------------------------|----|---|--|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| President | Jeff Lin | 2006.08.02 | 4,214,644 | 0.216% | 0 | 0 | 0 | 0 | Master Degree, National Taiwan University; SEVP of UBOT | Supervisor of Union Recreation Enterprise Corp.; Director of The Liberty Times; Executive Director of Union Dyeing and Finishing Co., Ltd. Union Finance International (HK) Director | None | None | None |
| SEVP | Yin-Bor Chan | 2006.07.01 | 247,656 | 0.012% | 0 | 0 | 0 | 00 | Tamkang University; EVP of UBOT | Supervisor of Union Finance & Leasing (International) Co., Ltd. | None | None | None |
| SEVP & GM of Risk Management Dept. | Herman Tu | 2006.07.01 | 133,532 | 0.006% | 0 | 0 | 0 | 0 | Chinese Culture University; EVP of UBOT | Director of Union Finance & Leasing (International) Co., Ltd. | None | None | None |
| SEVP & GM of Corporate Loans Policy & Admin. Dept. | Cheng-Yu Liu | 2010.07.01 | 0 | 0 | 0 | 0 | 0 | 0 | Takming College EVP of UBOT | Director of Union Information Technology Co., Ltd. Union Finance International (HK) Director | None | None | None |
| Chief Auditor | Kuo-Pao Kang | 2010.11.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Chiao Tung University; VP & Branch Manager of E. Taipei Branch of UBOT | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|----------------|----------------|--------------|--------|---|---|----------------------------------|---|---|--|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| EVP | Patrick Jean | 2010.10.21 | 65,493 | 0.003% | 0 | 0 | 0 | 0 | National Cheng Chi University VP of UBOT | - | None | None | None |
| VP | Peter Chien | 2006.06.26 | 39,671 | 0.002% | 0 | 0 | 0 | 0 | Panchiao Senior High School; VP & Branch Manager of Hsinchung Branch of UBOT | - | None | None | None |
| VP & GM of Business Planning & Admin. Dept. | Yanger Yang | 2006.06.22 | 0 | 0 | 0 | 0 | 0 | 0 | Master Degree, Tunghai University; VP and Deputy GM of Business Planning & Admin. Dept. of UBOT | Director of Lian-An Service Co. Ltd. | None | None | None |
| VP & GM of Consumer Banking Dept. | Kuo-Shien Shia | 2005.06.27 | 0 | 0 | 7,562 | 0 | 0 | 0 | Tamkang University; Manager of Cathay United Bank | Supervisor of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd. | None | None | None |
| VP & GM of Consumer Credit Dept. | Joy Tang | 2004.03.22 | 34,715 | 0.001% | 0 | 0 | 0 | 0 | Master Degree, Memphis State University; VP & Deputy GM of Consumer Banking Dept. | - | None | None | None |
| VP & GM of Trust Dept. | Hann-Tsau Tsai | 2006.06.22 | 172,436 | 0.008% | 1,512 | 0 | 0 | 0 | Chung Yuan Christian University; VP & GM of Business Planning & Admin. Dept of UBOT | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|---------------|----------------|--------------|--------|---|---|----------------------------------|---|---|--|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & GM of Wealth Management Dept. | Sophie Hsu | 2005.11.21 | 0 | 0 | 0 | 0 | 0 | 0 | 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. | None | None | None |
| VP & GM of Securities Finance Dept. | Ray Cheng | 2010.08.23 | 0 | 0 | 0 | 0 | 0 | 0 | Master degree, Long Island University, USA; Manager, Chenchun Branch of Taiwan Concord Securities Co., Ltd. | - | None | None | None |
| VP & GM of Bills Finance Dept. | Yao-Hsien Lee | 2010.08.16 | 45,688 | 0.002% | 0 | 0 | 0 | 0 | Feng Jia University Manager of Union Bills Finance Corp. | - | None | None | None |
| VP & GM of Treasury Dept. | Tarsicio Tong | 1998.09.01 | 40,731 | 0.002% | 0 | 0 | 0 | 0 | National Taiwan University; VP & Deputy GM of IBD of UBOT | - | None | None | None |
| VP & GM of Default Loans Management Dept. | Yan-Tsung Kao | 2009.04.01 | 14,140 | 0 | 0 | 0 | 0 | 0 | Soochow University VP & Branch Manager of Fucheng Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|------------------|----------------|--------------|--------|---|---|----------------------------------|---|--|---|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & GM of Real Estate Administration Dept. | Michael Lee | 2004.03.05 | 482 | 0 | 0 | 0 | 0 | 0 | Master Degree, National Cheng Chi University; VP & Branch Manager of Hueilong Branch | - | None | None | None |
| GM of Product Development & Marketing Dept. | Pauline Sheng | 2008.11.01 | 3,781 | 0 | 0 | 0 | 0 | 0 | Tamkang University; VP & Branch Manager of Wenlin Mini Branch | Director of Li-Yu Venture Co & Euroc III Venture Capital. Corp. | None | None | None |
| VP & GM of Information Technology Dept. | Luke Yang | 2006.07.01 | 46,888 | 0.002% | 0 | 0 | 0 | 0 | Masters Degree, National Taiwan University; Deputy GM of IT Dept. of UBOT | Director of Union Information Technology Co., Ltd. | None | None | None |
| VP & GM of Human Resources Dept. | Michael Lin | 1999.12.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Chung Hsing University; VP & Deputy GM of Human Resources Dept. | - | None | None | None |
| VP & GM of General Affairs Dept. | Russell YC Chang | 2003.10.01 | 84,771 | 0.004% | 0 | 0 | 0 | 0 | Taiwan Institute of Technology; VP & Deputy GM of General Affairs Dept. | - | None | None | None |
| VP & GM of Operation Center | Shu-Feng Hsueh | 2005.09.06 | 6,050 | 0 | 1,621 | 0 | 0 | 0 | National Cheng Chi University; AVP of Hsintien Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|-----------------|----------------|--------------|--------|---|---|----------------------------------|---|--|--|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| Executive Director of Credit Card Group | Tiffany Yu | 2008.09.08 | 14,444 | 0 | 0 | 0 | 0 | 0 | Master Degree, National Cheng Chi University; VP & GM of Product & Marketing Dept. | Director of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd.; Supervisor of Union Information Technology Co., Ltd. | None | None | None |
| VP & GM of International Banking Department | Connie Tseng | 2010.09.01 | 0 | 0 | 0 | 0 | 0 | 0 | Master degree, San Jose State University; VP of International Banking Dept. and OBU, Jih Sun Commercial Bank | Union Finance International (HK) Director | None | None | None |
| VP & Branch of OBU and Rep. of Hong Kong Representative Office & Ho Chi Minh Rept. Office | Lisa Lu | 2010.09.01 | 25,484 | 0.001% | 0 | 0 | 0 | 0 | MBA University of Birmingham, UK; AVP of OBU and representative of Hong Kong Representative Office & Ho Chi Minh Representative Office (FRM) | - | None | None | None |
| EVP & GM of Vehicle Loan Department | Cheng-Juh Hsieh | 2011.04.01 | 200,213 | 0.01% | 0 | 0 | 0 | 0 | University of South Australia Graduate School General Manager of Union Finance & Leasing (Int' l) Corporation | Director of Union Finance & Leasing (Int' l) Corporation, Director of Union Capital (Cayman) Corp, Director of New Asian Ventures Ltd. | | | |
| VP & GM of Business Dept. | Lin-Sheng Yu | 2008.05.05 | 3,781 | 0 | 0 | 0 | 0 | 0 | National Taiwan Ocean University; VP & Branch Manager of Luchou Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|-----------------|----------------|--------------|--------|---|---|----------------------------------|---|---|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| EVP & Branch Manager of Taipei Branch | Chi-Pin Chen | 2009.04.01 | 380 | 0 | 0 | 0 | 0 | 0 | National Cheng Chi University- Open Junior College of Commerce; VP & Branch Manager of Panchiao Branch | - | None | None | None |
| VP & Branch Manager of Taoyuan Branch | Jen-Chung Cheng | 2006.07.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Cheng Chi University; VP & Branch Manager of Panchiao Branch | - | None | None | None |
| VP & Branch Manager of Taichung Branch | Meng-Hsia Wu | 2007.11.05 | 34,853 | 0.001% | 0 | 0 | 0 | 0 | National Tsao-Tun Commercial & Industrial Vocational Senior High School; VP & Branch Manager of Minchuan Branch | - | None | None | None |
| VP & Branch Manager of Nanking E. Road Branch | Ching-Wen Chen | 2006.07.01 | 0 | 0 | 0 | 0 | 0 | 0 | Soochow University; VP & Branch Manager of Shuanho Branch | - | None | None | None |
| VP & Branch Manager of Chungli Branch | Chang-Yung Chen | 2000.08.23 | 102,802 | 0.005% | 0 | 0 | 0 | 0 | National Taipei College of Commerce- Open Junior College of Commerce; VP & Branch Manager of Neili Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|-----------------|----------------|--------------|--------|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Sanchung Branch | Steven Huang | 2007.06.01 | 8,115 | 0 | 0 | 0 | 0 | 0 | Graduate Institute of the University of North Alabama; VP & Branch Manager of Houpu Branch | - | None | None | None |
| VP & Branch Manager of East Taipei Branch | Zhi-Zhong Zhang | 2010.12.01 | 16,990 | 0 | 0 | 0 | 0 | 0 | National Chao Tung University VP & Branch Manager of Changchun Branch | - | None | None | None |
| VP & Branch Manager of Kaohsiung Branch | Zong-Hui Huang | 2008.06.01 | 0 | 0 | 0 | 0 | 0 | 0 | Feng Chia University; Manager of Kaohsiung Corporate Banking Center | - | None | None | None |
| VP & Branch Manager of Panchiao Branch | Jacky Liao | 2009.04.01 | 0 | 0 | 0 | 0 | 0 | 0 | Chungyu Institute of Technology; Deputy manager of Taipei Corporate Banking Center | - | None | None | None |
| VP & Branch Manager of Tainan Branch | Ping-Hul Lin | 2008.05.16 | 0 | 0 | 0 | 0 | 0 | 0 | Aletheia University; Manager of En Tie Bank | - | None | None | None |
| VP & Branch Manager of Yuanlin Branch | Min-Fei Wang | 2007.06.01 | 24,847 | 0.001% | 0 | 0 | 0 | 0 | Chinese Culture University; VP & Branch Manager of Minchuan Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|-----------------|----------------|--------------|--------|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Jenai Branch | Wendy Chi | 2009.11.16 | 34,615 | 0.001% | 0 | 0 | 0 | 0 | Master Degree, University of Texas; VP & Branch Manager of Kungkuan Branch | - | None | None | None |
| VP & Branch Manager of Nankan Branch | Ching-Chung Lin | 2006.07.01 | 84,808 | 0.004% | 0 | 0 | 0 | 0 | Chinese Culture University; VP & Branch Manager of Tatze Branch | - | None | None | None |
| VP & Branch Manager of Hsinchu Branch | Denfer Hung | 2009.12.06 | 0 | 0 | 0 | 0 | 0 | 0 | Tunghai University; Manager of Standard Chartered Bank | - | None | None | None |
| VP & Branch Manager of Luchou Branch | Yeong-Jin Hwang | 2008.05.05 | 0 | 0 | 0 | 0 | 0 | 0 | Master Degree, University of Dallas. VP & Manager of Taipei Corporate Banking Center | - | None | None | None |
| VP & Branch Manager of Chiujung Branch | Lister Lee | 2000.06.01 | 51,426 | 0.002% | 0 | 0 | 0 | 0 | National Cheng Kung University- Open Junior College of Commerce; Manager of Kaohsiung Bank | - | None | None | None |
| VP & Branch Manager of Shuanho Branch | Hung-Min Chen | 2008.05.05 | 19,278 | 0 | 186 | 0 | 0 | 0 | Feng Chia University; VP & Branch Manager of Hsichih Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|---------------|----------------|--------------|--------|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Hueilong Branch | Ru-Ji Cheng | 2004.03.05 | 471 | 0 | 0 | 0 | 0 | 0 | Feng Chia University; VP & Deputy branch Manager of Taoyuan Branch | - | None | None | None |
| VP & Branch Manager of Chiayi Branch | Chen-Yueh Wu | 2006.09.01 | 0 | 0 | 0 | 0 | 0 | 0 | Feng Chia University; VP of China Trust Commercial Bank | - | None | None | None |
| VP & Branch Manager of Kungkuan Branch | Simon Wang | 2009.11.16 | 1,344 | 0 | 0 | 0 | 0 | 0 | Master Degree, National Cheng Chi University; VP & Branch Manager of Chungho Branch | - | None | None | None |
| VP & Branch Manager of Neili Branch | Han-Chou Chiu | 2009.12.1 | 482 | 0 | 0 | 0 | 0 | 0 | Longhua Technological Academy; VP & Branch Manager of Lungtan Branch | - | None | None | None |
| VP & Branch Manager of Chunghsiao Branch | Jane Lu | 2003.10.01 | 31,909 | 0.001% | 0 | 0 | 0 | 0 | Master Degree, University of Illinois; VP & Branch Manager of Tunghua Mini Branch | - | None | None | None |
| VP & Branch Manager of Hsinchuang Branch | Jeffery Tsai | 2006.06.26 | 15,000 | 0 | 0 | 0 | 0 | 0 | Master Degree, Fu Jen Catholic University; VP & Deputy Branch Manager of Hsinchuang Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|----------------|----------------|--------------|--------|---|---|----------------------------------|---|---|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Fengshan Branch | Kuen-Yuan Tsai | 1999.10.25 | 35,109 | 0.001% | 0 | 0 | 0 | 0 | Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch | - | None | None | None |
| VP & Branch Manager of Taoying Branch | Ching-Shou Liu | 1997.07.10 | 4,259 | 0 | 0 | 0 | 0 | 0 | National Taipei College of Commerce-Open Junior College of Commerce VP & Deputy Branch Manager of Taoyuan Branch | - | None | None | None |
| VP & Branch Manager of Lungtan Branch | Lawrence Chen | 2009.12.01 | 15,041 | 0 | 0 | 0 | 0 | 0 | Master Degree, National Central University; VP & Branch Manager of Neili Branch | - | None | None | None |
| VP & Branch Manager of Hsintien Branch | Chang-Chen Lin | 2007.06.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Taiwan University VP & Deputy Branch Manager of Hsintien Branch | - | None | None | None |
| VP & Branch Manager of Tatze Branch | Tereasa Lin | 2009.01.01 | 279 | 0 | 0 | 0 | 0 | 0 | Chihlee Institute of Technology; Head of Jenai Consumer loan center, Consumer Banking Dept. | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|--------------|----------------|--------------|--------|---|---|----------------------------------|---|--|---|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Chungshan Mini Branch | Li-Jen Wong | 2006.12.01 | 678 | 0 | 0 | 0 | 0 | 0 | National Taiwan University AVP & Division Head of Business Planning & Admin. Dept. | - | None | None | None |
| VP & Branch Manager of Wenshin Branch | Amy Chung | 2009.01.01 | 9,584 | 0 | 0 | 0 | 0 | 0 | National Cheng Kung University; AVP & Division Head of Minchuan Branch | - | None | None | None |
| VP & Branch Manager of Chienshin Branch | Tawei Shih | 2009.12.06 | 0 | 0 | 0 | 0 | 0 | 0 | Master Degree, Tamkang University; VP & Branch Manager of Hsinchu Branch | - | None | None | None |
| VP & Branch Manager of Chungho Branch | Wu-Lien Peng | 2009.11.16 | 313,414 | 0.016% | 9,379 | 0 | 0 | 0 | National Taipei College of Commerce- Open Junior College of Commerce; VP & Branch Manager of Jenai Branch | - | None | None | None |
| VP & Branch Manager of Neihu Branch | CM Hwang | 2011.11.01 | 241,834 | 0.012% | 0 | 0 | 0 | 0 | Chung Yuan Christian University; VP & Branch Manager of Hoping Branch | Director of Jiao Da Venture Corporation | None | None | None |
| VP & Branch Manager of Dayuan Branch | Chu-Shih Wei | 2009.04.07 | 0 | 0 | 0 | 0 | 0 | 0 | Feng Chia University; Manager of Standard Chartered Bank | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|-----------------|----------------|--------------|--------|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Yungho Branch | Hsiu-Yun Su | 2005.03.19 | 0 | 0 | 0 | 0 | 0 | 0 | Master Degree, Dallas Baptist University; Manager of Chung Shing Bank | - | None | None | None |
| VP & Branch Manager of Chungkung Mini Branch | Wen-Chien Chien | 2001.01.15 | 23,000 | 0.001% | 0 | 0 | 0 | 0 | Ming Chuan College; VP & Deputy Branch Manager of Chunghsiao Branch | - | None | None | None |
| VP & Branch Manager of Tonghwa Mini Branch | Mei-Lan Lin | 2007.10.01 | 500 | 0 | 0 | 0 | 0 | 0 | Soochow University; AVP & Division Head of Consumer Credit Dept. | - | None | None | None |
| VP & Branch Manager of Shihtung Branch | Kuang-Han Liu | 2009.12.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Taipei College of Commerce; Manager of Taipei Consumer Loan Center Consumer Banking Dept. | - | None | None | None |
| VP & Branch Manager of Breeze Center Mini Branch | Chien-Lung Chen | 2006.01.19 | 66,548 | 0.003% | 0 | 0 | 0 | 0 | Master Degree, Aletheia University; AVP of Breeze Center Mini Branch | - | None | None | None |
| VP & Branch Manager of Changchun Branch | Huey-Fun Chen | 2010.11.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Taiwan University; AVP of East Taipei Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|------------------|----------------|--------------|--------|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Sungchiang Branch | Ching-Shan Chang | 2005.03.19 | 0 | 0 | 0 | 0 | 0 | 0 | Master Degree, Fu Jen Catholic University; Manager of Chung Shing Bank | - | None | None | None |
| VP & Branch Manager of Taan Branch | Chien-Hui Li | 2011.11.01 | | | | | | | Soochow University; Head of Jenai Loan Center, Consumer Banking Department | - | None | None | None |
| VP & Branch Manager of Yungchi Branch | Candy Lin | 2011.07.16 | 18,150 | | 0 | 0 | 0 | 0 | National Chung Hsing University; Head of Chunghsiao Loan Center, Consumer Banking Department | - | None | None | None |
| VP & Branch Manager of Wenlin Branch | Ju-Ling Kuo | 2008.11.01 | 101,248 | 0.005% | - | - | - | - | Takming College; VP & Deputy GM of Consumer Banking Dept. | - | None | None | None |
| VP & Branch Manager of Tungmen Branch | Jimmy Chou | 2007.06.11 | 604 | 0 | 0 | 0 | 0 | 0 | Master Degree, National Taipei University; VP & Deputy GM of Consumer Banking Dept. | - | None | None | None |
| VP & Branch Manager of Tunhwa Branch | Shen-Yung Peng | 2005.03.19 | 17,193 | 0 | 779 | 0 | 0 | 0 | Ching Yun University; Head of National Cash Card Dept. | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|---------------|----------------|--------------|--------|---|---|----------------------------------|---|---|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Hsihu Branch | Mary Huang | 2006.12.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Taipei College of Commerce- Open Junior College of Commerce; Senior AVP of Luchou Branch | - | None | None | None |
| VP & Branch Manager of Beitou Mini Branch | Ting-Ting Wu | 2011.11.01 | 8,609 | 0 | 0 | 0 | 0 | 0 | Ming-Chuan College of Commerce; Manager of Business Planning & Admin Dept. | - | None | None | None |
| VP & Branch Manager of North. Sanchung Branch | Teh-Chin Tsai | 2005.03.19 | 88,919 | 0.004% | 0 | 0 | 0 | 0 | Kai Nan High School of Commercial and Industry; Senior AVP of Sanchung Branch | - | None | None | None |
| VP & Branch Manager of Houpu Branch | Su-Yean Lo | 2007.06.26 | 0 | 0 | 0 | 0 | 0 | 0 | National Changhua Senior School of Commerce; AVP of Houpu Branch | - | None | None | None |
| VP & Branch Manager of North Chungho Mini Branch | Hedy Wei | 2010.08.16 | 388 | 0 | 0 | 0 | 0 | 0 | Chinese Culture University; AVP of Chungho Branch | - | None | None | None |
| VP & Branch Manager of Fuguo Branch | Shis-Wen Lu | 2005.03.19 | 0 | 0 | 0 | 0 | 0 | 0 | Takming Junior College of Commerce; Head of Consumer Banking Dept. | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|-------------------|----------------|--------------|--------|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Shulin Branch | Ren-Rong Hsu | 2009.12.01 | 0 | 0 | 0 | 0 | 0 | 0 | National Taipei College of Commerce- Open Junior College of Commerce; Senior AVP of Jenai Branch | - | None | None | None |
| VP & Branch Manager of Hsichih Branch | Chean-Han Pan | 2008.05.05 | 297 | 0 | 0 | 0 | 0 | 0 | Aletheia University; Head of Nanking East Road Loan Center, Consumer Banking Dept. | - | None | None | None |
| VP & Branch Manger of North Taoyuan Branch | James Tsai | 2005.03.19 | 24,967 | 0.001% | 0 | 0 | 0 | 0 | Tamkang University; Head of Consumer Banking Dept. | - | None | None | None |
| VP & Branch Manager of North Chungli Branch | Ping-Ching Chiang | 2005.03.19 | 106,219 | 0.005% | 0 | 0 | 0 | 0 | National Taipei College of Commerce- Open Junior College of Commerce; Head of Consumer Banking Dept. | - | None | None | None |
| VP & Branch Manager of North Taichung Branch | Hui-Fen Chao | 2005.03.19 | 55,605 | 0.002% | 0 | 0 | 0 | 0 | Chihlee Institute of Technology; Senior AVP of Wenshin Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|----------------|----------------|--------------|--------|---|---|----------------------------------|---|--|---|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Minchuan Branch | Jeng-Ping Liu | 2007.11.05 | 95,886 | 0.004% | 0 | 0 | 0 | 0 | Graduate School of Dayeh University; VP & Branch Manager of Taichung Branch | - | None | None | None |
| VP & Branch Manager of Hsitun Branch | Shih-Yuan Liaw | 2005.03.19 | 0 | 0 | 0 | 0 | 0 | 0 | Hsinming Commercial School; Manager of Chung Shing Bank | - | None | None | None |
| VP & Branch Manager of Shingchung Branch | Chiung-Yu O | 2005.03.19 | 8,046 | 0 | 0 | 0 | 0 | 0 | Feng Chia University; Manager of Wenshin Branch | - | None | None | None |
| VP & Branch Manager of Beitun Branch | Chien-Tsung Wu | 2005.03.19 | 14,369 | 0 | 0 | 0 | 0 | 0 | The Overseas Chinese Institute of Technology; Manager of National Cash Card Department | - | None | None | None |
| VP & Branch Manager of S. Yuanlin Branch | Wu-Yuan Chen | 2005.03.19 | 28,738 | 0.001% | 0 | 0 | 0 | 0 | National Open University; Senior AVP of National Cash Card Dept. | - | None | None | None |
| VP & Branch Manager of East Chiayi Branch | Shan-Chih Yen | 2005.03.19 | 35,675 | 0.001% | 2,670 | 0 | 0 | 0 | Master Degree, Chiayi University; Senior AVP of National Cash Card Dept. | Supervisor of Zhong-Guan Foods Enterprise Co., Ltd. | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|-----------------|----------------|--------------|--------|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Fucheng Branch | Hsien-Ming Yen | 2009.04.01 | 0 | 0 | 0 | 0 | 0 | 0 | Feng Chia University; VP & Branch Manager of South Tainan Branch | - | None | None | None |
| VP & Branch Manager of Fongyuan Branch | Ta-Yu Chin | 2006.12.04 | 22,688 | 0.001% | 0 | 0 | 0 | 0 | Tamkang University; VP & Deputy Branch Manager of Wenshin Branch | - | None | None | None |
| VP & Branch Manager of Fuchiang Branch | Chin-Chung Kuan | 2010.12.06 | 0 | 0 | 0 | 0 | 0 | 0 | Feng Jia University; Senior Manager, Chinatrust Commercial Bank | - | None | None | None |
| VP & Branch Manager of Kaiyuan Branch | Roger Chang | 2005.03.19 | 0 | 0 | 0 | 0 | 0 | 0 | National Open University; Head of Consumer Banking Dept. | - | None | None | None |
| VP & Branch Manager of South Tainan Branch | Yu-Show Hsu | 2009.04.01 | 9,379 | 0 | 0 | 0 | 0 | 0 | Kun Shan University; Senior AVP of Tainan Branch | - | None | None | None |
| VP & Branch Manager of Lingya Branch | Feng-Li Lin | 2005.03.19 | 24,200 | 0.001% | 0 | 0 | 0 | 0 | Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|----------------|----------------|--------------|--------|---|---|----------------------------------|---|---|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of North Kaohsiung Branch | Miao-Hui Yeh | 2005.03.19 | 61,891 | 0.003% | 0 | 0 | 0 | 0 | Master Degree, New York University; VP & Deputy Branch Manager of Chiujju Branch | - | None | None | None |
| VP & Branch Manager of Sanmin Branch | Miranda Tsai | 2009.08.01 | 2,268 | 0 | 0 | 0 | 0 | 0 | Tamkang University; Senior AVP of Kaohsiung Branch | - | None | None | None |
| VP & Branch Manager of Wuchia Branch | I-Wen Ho | 2005.03.19 | 30,249 | 0.001% | 0 | 0 | 0 | 0 | Master Degree, National Chung Hsing University; VP & Deputy Branch Manager of Fengshan Branch | - | None | None | None |
| VP & Branch Manager of Pingtung Branch | Yueh-Song Lin | 2006.09.01 | 0 | 0 | 0 | 0 | 0 | 0 | Ping Tung Commercial/Industrial School; VP & Deputy Branch Manager of Pingtung Branch | - | None | None | None |
| VP & Branch Manager of Hoping Branch | Tsai-Ling Liao | 2011.11.01 | 0 | 0 | 0 | 0 | 0 | 0 | Taipei College of Commerce; VP & Branch Manager of Taan Branch | - | None | None | None |
| VP & Branch Manager of Yongchun Branch | Wen-Hui Lin | 2006.07.19 | 26,353 | 0.001% | 0 | 0 | 0 | 0 | Tamkang University; VP & Deputy Branch Manager of Taipei Branch | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|--|------------------|----------------|--------------|--------|---|--------|----------------------------------|---|---|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Tenshin Branch | Ru-Jwu Tsai | 2009.01.01 | 1,884 | 0 | 673 | 0 | 0 | 0 | Soochow University; Special Assistant of Head office Administration | - | None | None | None |
| VP & Branch Manager of Ankaung Branch | Chan-Kwei Chen | 2009.12.01 | 40,238 | 0.002% | 0 | 0 | 0 | 0 | Feng Chia University; VP & Branch Manager of Shihtung Branch | - | None | None | None |
| VP & Branch Manager of Dajhu Branch | Jyh-Chiang Huang | 2007.07.25 | 36,274 | 0.002% | 12,374 | 0.001% | - | - | National Chiao Tung University; VP & Deputy Branch Manager of Taoying Branch | - | None | None | None |
| VP & Branch Manager of Gueishan Branch | Shiu-Ju Huang | 2010.12.01 | 383 | 0 | 0 | 0 | 0 | 0 | Takming College; Senior AVP, Nankan Branch | - | None | None | None |
| VP & Branch Manager of Linkou Branch | Shiu-Lan Hsieh | 2008.12.04 | 8,000 | 0 | 0 | 0 | 0 | 0 | National Taipei College of Commerce- Open Junior College of Commerce VP & Deputy Branch Manager of Taipei Corporate Banking Center | - | None | None | None |

Corporate Governance

| Title | Name | Date Appointed | Shareholding | | 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 | | |
|---|-------------------|----------------|--------------|---|---|---|----------------------------------|---|--|----------------------------|--|------|----------|
| | | | Share | % | Share | % | Share | % | | | Title | Name | Relation |
| VP & Branch Manager of Wugu Branch | Chao-Chuen Chuang | 2009.11.01 | 0 | 0 | 0 | 0 | 0 | 0 | Master degree, Fo Guang University; VP& Branch Manager of Wugu Branch | - | None | None | None |
| VP & Branch Manager of Gaorong Branch | Jung-Hsiang Chung | 2009.12.11 | 0 | 0 | 0 | 0 | 0 | 0 | Feng Chia University; Manager of Standard Chartered Bank | - | None | None | None |
| VP & Branch Manager of Daye Branch | Richard Yang | 2010.1.14 | 0 | 0 | 0 | 0 | 0 | 0 | National Taiwan University; VP& Branch Manager of Taoyuan Corporate Banking Center | - | None | None | None |
| VP & Branch Manager of Luzhu Branch | Jenny Cheng | 2011.07.09 | 12,019 | 0 | 0 | 0 | 0 | 0 | National Sun Yat-sen University Senior AVP of Gueishan Branch | - | None | None | None |
| VP & Branch Manager of Tucheng Branch | Kun-Cheng Zhou | 2010.1.25 | 407 | 0 | 0 | 0 | 0 | 0 | National Chung Hsing University; VP& Branch manager of Ankang Branch | - | None | None | None |
| VP & Branch Manager of South Taoyuan Branch | Chang-Fu Tsai | 2010.3.30 | 0 | 0 | 0 | 0 | 0 | 0 | Feng Jia University; AVP, SME Banking and Risk Management Dept., Standard Chartered Bank | - | None | None | None |

B. Supervisor's Remuneration

Unit: NT Dollar Thousand, December 31, 2011

| 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) | | | | |
| | | U B O T | All Companies in the Consolidated Statement | U B O T | All Companies in the Consolidated Statement | U B O T | All Companies in the Consolidated Statement | U B O T | All Companies in the Consolidated Statement | U B O T | All Companies in the Consolidated Statement | |
| Resident Supervisor, Yu-Pang Co., Ltd. Rep. | Jia-Yi Wang | | | | | | | | | | | Nil |
| Supervisor, Pao-Hsing Investment Co., Ltd. Rep. | Zhen-Lu Lin | 420 | 420 | 0 | 0 | 0 | 0 | 556 | 556 | 0.05% | 0.05% | Nil |
| Supervisor | Si-Yong Lin | | | | | | | | | | | Nil |

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 2,000,000 | Jia-Yi Wang, Zhen-Lu Lin, Si-Yong Lin, | Jia-Yi Wang, Zhen-Lu Lin, Si-Yong Lin, |
| Total | 3 | 3 |

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 | | All Companies in the Consolidated Statement | | The Bank | All Companies in the Consolidated Statement | The Bank | All Companies in the Consolidated Statement | | |
| | | | | | | | | Cash Dividend | Stock Dividend | Cash Dividend | Stock Dividend | | | | | | |
| President | Jeff Lin | | | | | | | | | | | | | | | | Nil |
| SEVP | Yin-Bor Chan | | | | | | | | | | | | | | | | |
| SEVP | Herman Tu | 10,611 | 10,611 | 0 | 0 | 4,332 | 4,332 | 0 | 0 | 0 | 0 | 0.82 | 0.82 | 0 | 0 | | |
| SEVP | Cheng-Yu Liu | | | | | | | | | | | | | | | | |
| Chief Auditor | Kuo-Pao Kang | | | | | | | | | | | | | | | | |

Note : Remuneration to the Company's three drivers totalled NT\$ 1,810 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 | Herman Tu, Yin-Bor Chan, Cheng-Yu Liu, Kuo-Pao Kang | Herman Tu, Yin-Bor Chan, Cheng-Yu Liu, Kuo-Pao Kang |
| Total | 5 | 5 |

D. Bonus to Executive Officers: None.

- (4) Analysis of Payments of Remuneration to Directors, Supervisors, President, Vice President and Chief Auditor, its ratio to after tax net profit in the latest two years, Remuneration Policy, Standard and combination, procedure for determining remuneration and their relationship to operating results and future risk
- The remuneration paid to Directors, Supervisors, President, Vice President and Chief Auditor in 2010 is NT\$33,365,000 (including payment for retirement pension) and its ratio to net profit after tax is 2.37%.
 - The remuneration paid to Directors, Supervisors, President, Vice President and Chief Auditor in 2011 is NT\$25,956,000 and its ratio to net profit after tax is 1.42%.
 - Remuneration paid to directors and supervisors primarily include meeting attendance fees and salaries. All remuneration is paid on a fixed basis. The President did not receive any form of remuneration. Remuneration to SEVPs and Chief Auditor was made in accordance with their respective experience, degree of business involvement and contribution, and compare with the salary and remuneration standard of the Industry peers. The salary and remuneration schedule will be submitted to the Board of Directors for resolution after it is

examined by Salary and Remuneration Committee.

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 basic salaries and allowances, executives may also be eligible for the annual and the performance bonuses depending on the Bank's annual results of operation and individual performance. As such, remuneration to SEVPs and Chief Auditor is closely related to the Bank's operating performance. The occurrence of major risk events that may impair the Bank's goodwill, or incidents of deficiency in internal management, or employee fraud would vastly affect the amount of bonuses to SEVPs and the Chief Auditor. The Risk Management Dept. should report directly to the Board of Directors regarding the status of the Bank's risk control and risk exposure on a semi-annual basis.

3. Execution of Corporate Governance

(1) Board of Directors

The Board of Directors held 7 meetings in 2011. The status of attendance was as follows:

| Title | Name | Attendance in Person | By Proxy | Attendance Rate (%) |
|-------------------------------|---|----------------------|----------|---------------------|
| Chairman | Shiang-Chang Lee | 7 | 0 | 100% |
| Independent Managing Director | Kao-Jing Wang | 6 | 1 | 100% |
| Managing Director | Zhen-Xong Jiang | 7 | 0 | 100% |
| Independent Director | Zen-Fa Lu | 7 | 0 | 100% |
| Director | Jin-Fu Liu | 6 | 0 | 85.71% |
| Director | Yu-Quan Lee | 6 | 0 | 85.71% |
| Director | Union Enterprise Construction Co., Ltd. Representative: Jeff Lin | 7 | 0 | 100% |
| Director | Chung-Li Investment Co. Representative: Sue-Feng Tsao | 7 | 0 | 100% |
| Director | Chung-Li Investment Co. Representative: Yao-Nan Lai | 7 | 0 | 100% |

Other supplementary notes:

- Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion as stipulated in Article 14-3 of the Securities and Exchange Act: None.
- Execution Status on Recusal of directors due to potentially conflict of interests motions, the name of the directors, content of the motion, the reasons of recusal, and the voting participation status should be clearly stated:

| Meeting | Name of Director | Proposal | Reasons of Recusal | Participated in Voting |
|--|---|-------------------------|--------------------|------------------------|
| 15 th meeting/7 th Board | Jeff Lin Zhen-Xong Jiang Shiang-Chang Lee | Public Welfare Donation | Stakeholder | No |

| | | | | |
|--|---------------|---------------------------|-------------|----|
| 19 th meeting/7 th Board | Yu-Quan Lee | Credit Facility Granting | Stakeholder | No |
| 20 th meeting/7 th Board | Sue-Feng Tsao | Bank Premises procurement | Stakeholder | No |
| 21 th meeting/7 th Board | Jin-Fu Liu | Credit Facility Granting | Stakeholder | No |
| 21 th meeting/7 th Board | Jeff Lin | Bank Premises Rental | Stakeholder | No |

3. Measures taken to strengthen the functionality of the Board:

- (1) The Bank, in accordance with the regulation in Article 14-2 of Securities and Exchange Act, sets two seats of independent directors and enacts "Guideline governing the responsibilities of independent directors in Union Bank of Taiwan Co., Ltd." to adhere, and it also formulates "Rules for the conduct of directors meetings in Union Bank of Taiwan Co., Ltd." for following in the execution of meetings, the regulation clearly defines if a director attend a meeting where there might be a conflict of interests involves with the director, he/she should voluntarily excuse himself/herself to the motion and should not participate in the voting, he/she should also not represent other directors in exercise voting rights; all the directors in the Bank must comply with the regulation.
- (2) The Bank establishes a Salary and Remuneration Committee under the Board of Directors and set "Regulation governing the organization of Salary and Remuneration Committee in Union Bank of Taiwan Co., Ltd."; the major responsibilities of the Committee is to set and regulatory review the policy, system, standard and structure of performance evaluation and remuneration for directors, supervisors and management executives.

- (2) Supervisors' Attendance in Board Meeting(The Bank has not yet instituted an audit committee.)

The Board of Directors held 7 meetings in 2011.The status of attendance is as follows:

| Title | Name | No. of actual attendance | % of actual attendance |
|---------------------|---|--------------------------|------------------------|
| Resident Supervisor | Yu-Pang Co., Ltd. Representative: Jia-Yi Wang | 7 | 100% |
| Supervisor | Pao-Hsing Investment Co., Ltd. Representative: Zhen-Lu Lin | 7 | 100% |
| Supervisor | Si-Yong Lin | 7 | 100% |

Other supplementary notes:

1. Composition and Responsibilities of Supervisors :

- (1) Communication between Supervisors and Bank employees or shareholders: The Bank's Supervisors communicate with employees and shareholders from time to time in writing or by telephone and fax. The Bank's official website also provides the avenue for communication between stakeholders and Supervisors. There is also a resident Supervisor to fully render the supervisory function.
- (2) Communication between Supervisors and Internal Chief Auditor and Independent Accountants: The Bank's Supervisors communicate with internal chief auditor 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 or revisions to the promulgation of regulations. The meetings ensure sound communication of the relevant matters between the concerned parties.

2. 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:

| Board of Directors Meeting Date and Session | Content of the Meeting | Statements of Opinion | Board of Directors Resolution and Handling |
|---|--|---|--|
| January 19, 2011 15 th Meeting of 7 th Board of Directors | Security Maintenance Task Report | Some Branches have not followed through on the examination of video recording, should ask all business units to follow through on the execution of the examination. | Please follow the points of attention instructed by Supervisor in its statement and send letters to all units to pay more attention on this matter. The others are granted for future reference. |
| January 19, 2011 15 th Meeting of 7 th Board of Directors | Operation Outsourcing Status Review Case | The selection of outsourcing service provider, except the price factor, should also consider service quality and accuracy. | Subsequently, the selection of outsourcing service provider should consider not only the price but also the service quality, efficiency, security and stability. The others are granted for future reference. |
| July 6, 2011 18 th Meeting of 7 th Board of Directors | Security Maintenance Task Report | The ATM machines installed in Kaohsiung MRT system have some crash problems due to poor ventilation in the installation places; suggest to carefully considering the installation places in later ATM machine installation. | Subsequently, the installation of ATM and the Bank's machine room should be carefully reviewed and planned in advance to prevent the reoccurrence of similar situation. The others are granted for future reference. |

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

- (4) Status of implementation of The Corporate Governance, stating Discrepancy, if any, with Best Corporate Governance Practices of Banks and giving Reasons:

| Item | Implementation Status | Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons |
|---|--|--|
| <p>1. The Bank's shareholder structure and shareholder equity</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. Shareholders' suggestions and disputes are handled by the Bank's designated personnel, who may refer the issue to the relevant departments to address.</p> <p>2. Based on the information detailed in the current Shareholder Register on the ex-dividend date, the Bank will report changes in shareholding to Taiwan Stock Exchange Corp. on a monthly basis pursuant to Article 25 of the Securities Exchange Act and 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 between the Bank and its subsidiaries. In addition, all related party transactions are carried out in accordance with regulatory requirements.</p> | <p>No material discrepancy</p> |
| <p>2. Composition and responsibilities of Board 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 Scope of Independent Board Directors' to adhere.</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>The Bank, in accordance with the Banking Law, establishes files of related parties, regularly controls and updates the related parties' information. In addition, related parties should also contact with the Bank through mail, telephone, fax and internet etc. All communication channels are very smooth.</p> | <p>No material discrepancy.</p> |

| Item | Implementation Status | Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons |
|--|--|--|
| <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, designating particular person to handle information collection and disclosure, appointing spokesperson, webcasting investor conference)</p> | <p>1. The Bank has regularly disclosed financial and corporate governance status in the Bank's website (Web address: http://www.ubot.com.tw), and will disclose related information following the relevant regulations of the competent authority.</p> <p>2. Information Disclosure Method</p> <p>(1) A designated department is to take charge of the collection and disclosure of information on the Bank's website.</p> <p>(2) The Bank has set spokesperson and acting spokesperson position to be the sole outlet of the statement to the publics, and the Bank has also formulated "Procedures for Handling Significant Internal Information" for compliance.</p> <p>(3) 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 set up a Salary and Remuneration Committee according to regulations and the Bank's Article of Incorporation in 19th Meeting of 7th Board of Directors on August 24, 2011 and formulated "Regulations Governing the Organization of Salary and Remuneration Committee" for compliance.</p> <p>2. Additionally, in order to strengthen management mechanism, the Bank has set up committees such as "Asset-Liability Management Committee", "Automation of Operation Committee", "Investment and Credit Examination Committee", "Overdue Credit, Overdue Loan and Non-Performing Loan Handling Committee", "Trust Property Examination Committee" and "Human Resource Evaluation Committee", and their resolutions are all submitted to relevant level of authorities for approval according to Regulations governing separation of duties.</p> | <p>No material discrepancy.</p> |
| <p>6. Please describe discrepancies between the status of the Bank's corporate governance practices and the "Standard Corporate Governance Practices for Banks"</p> <p>(1) In general, the Bank's corporate governance has no major deviation from the Standard Corporate Governance Practices.</p> <p>(2) In accordance with the Article 36 of "Standard Corporate Governance Practices for Banks", the bank may set up an Audit Committee or institute supervisors. The Bank is currently adopting the supervisor institution. Hence it could be exempted from setting an Audit Committee; In addition, the "Rules governing the scope of responsibilities of Supervisors" is formulated for compliance.</p> | | |

| Item | Implementation Status | Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons |
|------|---|--|
| 7. | <p>Other important information that helps understand the Bank’s corporate governance status (such as rights of employees, solicitude for employees, investor relations, rights of stakeholders, Directors’ and Supervisors’ training records, implementation of risk management policies and risk evaluation measures, implementation of customers protection policies, and purchasing liability insurance for directors and supervisors.):</p> <p>(1)Rights of employees and solicitude for employees: The Bank has put in place the “The Rules of Employment” 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 the employees. The Bank has also put in place the “Criteria for Prevention, Reporting and Punishment of Sexual Harassment Incidences” to ensure equal employment opportunities and human dignity.</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 records: the Bank’s directors and supervisors have taken related trainings of practical operation and company governance. The record may be accessed on the Market Observation Post System (http://emops.twse.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, established necessary risk management system and standard to effectively manage risks. (Please refer to section: analysis of the financial status and operating results and risk management for qualitative and quantitative about the various risks).</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. Take the initiative to care and effectively remind customers and prevent the suffering of loss as a result of being cheated.</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> | |
| 8. | <p>If the Bank 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 should be clearly stated:</p> <p>The Bank does not have a self-evaluation report nor 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) The composition, responsibilities and operation status of the Salary and Remuneration Committee of the Bank:

- A. The Bank’s Salary and Remuneration Committee has been setup on August 24, 2011. There are three members in the Committee which are an independent director of the board, a general director and one professional. The independent director of the board is elected by all members as the convener and chairman of the Committee meeting.
- B. The main responsibilities of the Salary and Remuneration Committee of the Bank are to set the policy, system, standard and structure of the salary compensation and regularly review the performance evaluation of directors, supervisors and management executives. The first meeting was called on December 19, 2011.

(6) Fulfillment of Corporate Social Responsibilities:

| Item | Implementation Status | Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons |
|--|--|--|
| <p>1. Exercising Corporate Governance:</p> <p>(1) Formulation of the corporate social responsibility policies or systems and review of the status and results of implementation.</p> <p>(2) Establishment of an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies or systems.</p> <p>(3) Training on business ethics and promotion of related matters for directors, supervisors and employees on a regular basis and incorporation of the foregoing into the Bank's employee performance appraisal system to establish a clear and effective reward and discipline system.</p> | <p>1. The Bank has not set a policy or system for corporate social responsibility, yet to fulfill our corporate social responsibility is one of our core corporate cultures. This year the Bank has continued to support and participate in social welfare activities such as helping melon farmers having draggy sales, response to the government's actions for caring the disadvantaged and to provide the visually impaired with voice teller machines.</p> <p>2. According to the Bank's Articles of Incorporation, the Business Planning & Administration Department centrally handles the Bank's management policy, while the Marketing Planning Department is responsible for formulating and carrying out the various public welfare events.</p> <p>3. The Bank makes arrangements for its directors and supervisors on a periodic basis each year to attend corporate governance training courses run by external training agencies. All employees of the Bank are also required to attend the "Law Compliance Workshop". The Bank also organizes a session of "Anti-money Laundering and Confidentiality" educational seminar and tests semi-annually. It is clearly stipulated in the Bank's "Employee Promotion & Appraisal Criteria of the Personnel Management Policy" the relevant training courses required for promotion and appraisal of employees. The "Criteria for Handling Employee Merit/Disciplinary Incidents" was also put in place to govern the related system.</p> | <p>The Bank's actual operation status is basically complying with the key spirits of the rules in "TWSE/GTSM Listed Companies Corporate Social Responsibility Code of Practice", there is no significant difference.</p> |

| Item | Implementation Status | Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons |
|--|--|--|
| <p>2. Fostering a Sustainable Environment:</p> <p>(1) The Bank's endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.</p> <p>(2) Establishment of proper environment management systems based on the characteristics of its industry.</p> <p>(3) Establishment of a dedicated unit or assignment of dedicated personnel for environment management to maintain the environment.</p> <p>(4) Monitoring of the impact of climate change on the Bank's operations and establishment of company strategies for energy conservation and carbon and greenhouse gas reduction.</p> | <p>1. Promote and urge employees to recycle used resources and reduce the amount of wastes. Give priority to the use of green energy products with Energy Saving Certification Logo.</p> <p>2. We have set up a database of the various idle facility and equipment, which is to be checked prior to procurement of new office equipment to ensure that existing resources are used efficiently. Environmental friendly products will be considered as the first choice where new equipment is to be purchased.</p> <p>3. The General Affairs Dept. manages the Bank's environment. Each business unit has General Affairs Officer and Supervisor, who are responsible for pursuing environmental protection measures and managing workplace safety and hygiene.</p> <p>4. The Bank is dedicated to energy conservation and has adopted measures such as: installing energy conservation device on our air-conditioning units, replacing outdated lighting facility with energy efficient ones and issuing an internal memo prescribing all departments to appropriately control the temperature of the air-conditioning units, the use of lighting facility, signboards and prohibiting the use of incandescent lamp for lighting purposes.</p> | <p>No discrepancy.</p> |

| Item | Implementation Status | Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons |
|---|--|--|
| <p>3. Preserving Public Welfare</p> <p>(1) Complying with relevant labor laws and regulations, protecting the legal rights and interests of employees and establishment of appropriate management methods and procedures.</p> <p>(2) Providing safe and healthful work environments and training on safety and health for employees on a regular basis.</p> <p>(3) Establishing and disclosing of policies on consumer rights and interests and providing a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints.</p> <p>(4) Collaborating with suppliers to jointly fulfill corporate social responsibilities.</p> <p>(5) Involving in community development and public welfare events through commercial activities, non-cash property endowments, volunteering service or other free professional services.</p> | <p>1. The Bank's "The Rules of Employment" and "Personnel Management Policy" both satisfy the provisions of the labor standard laws and regulations.</p> <p>2. In line with the requirement of the Competent Authority, the Bank organizes the Labor Safety and Hygiene Supervisor of each department to conduct health education training on a periodic basis.</p> <p>3. The Bank has set up a dedicated customer complaint hotline and provided for customers to lodge a complaint via the website to handle customer complaints and comments in the best interest of our customers. We have also put in place the "Complaints Handling Procedures" to ensure that all incidents are handled in a timely manner.</p> <p>4. The Bank has a long-term commitment towards public welfare activities to uphold our corporate motto of "taking from the society, paying back to the society". Take the initiative to invite the Public welfare group to participate (Please refer to corporate responsibility and ethical conduct in section: Operational Highlights)</p> | <p>No discrepancy.</p> |
| <p>4. Enhancing Disclosure of Corporate Social Responsibility(CSR) Information:</p> <p>(1) Methods by which the Bank discloses the relevant and reliable corporate social responsibility information.</p> <p>(2) Disclosure of results of implementing corporate social responsibility initiatives in the CSR Report.</p> | <p>The Bank has not prepared the CSR Report, but has disclosed the relevant information on our pursuit of corporate social responsibilities in the Annual Report.</p> | <p>No discrepancy.</p> |
| <p>5. If the Bank has established corporate governance policies based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any discrepancy between the policies and their implementation: The Bank currently does not have in place a set of "Corporate Social Responsibility Principles".</p> | | |

| Item | Implementation Status | Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons |
|------|---|--|
| 6. | Other important information to facilitate better understanding of the Bank's corporate social responsibility practices (e.g., environmental protection, community involvement, social contribution, social work, social welfare, consumer rights, human rights, safety and hygiene and the adopted policies and measures to fulfill corporate social responsibilities and the status of performing such responsibilities): please refer to Corporate Responsibility and Ethical conduct in section: Operational Highlights. | |
| 7. | If any of the Bank's products or the CSR Report has been accredited to the standards of an external validation agency, provide details: None. | |

- (7) Fulfillment of ethical management and adopted measures: The Bank follows the business philosophy of the “Code of Integrity Management of TWSE/GTSM Listed Companies”, and has established good corporate governance, internal control and risk management mechanism. The relevant departments of the Bank are responsible for monitoring the implementation of such mechanisms. Directors of the Bank are highly disciplined and have recused themselves from voting on proposals which may give rise to conflict-of-interest situations that may potentially impair the rights of the Bank's customers and shareholders.
- (8) Corporate governance principles and methods for searching the relevant regulations: None.
- (9) Other material information sufficient to enhance understanding of the status of the Bank's corporate governance practices: None.
- (10) Execution of the Internal Controls System
 - A. Where an independent auditor is appointed to perform audit on the internal controls system, the auditor's report shall be disclosed: None.
 - B. Statement of Internal Control:

Union Bank of Taiwan



Statement of Internal Controls System

March 15, 2012

To Financial Supervisory Commission, Executive Yuan

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2011 to December 31, 2011, we have 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 of Service Enterprises in Securities and Futures Markets”, promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, all business units’ internal control and law compliance have been in effect during the 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: Kuo-Po Kang



Compliance Officer of the Bank
Yao-Tsung Kao



(11) Legal violations and the Bank's response for the most recent two years:

| Disclosed Matter | Major Deficiency | Status of Improvement |
|--|--|---|
| (1) Responsible person or employees of the Bank violated the law when conducting business and resulted in an indictment by a prosecutor. | None | None |
| (2) A fine was levied on the Bank by the Financial Supervisory Commission for violations of laws and regulations. | The Bank has violated Article 3, Paragraph 2 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for failing to notify directors at least seven days prior to the date of the meeting and Article 17, Paragraph 1, Item 7 and Paragraph 2 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for failing to record the amended opinions of the independent director of the board but only recorded the results of the resolution. Chairman of the Bank has been fined for NT\$ 480,000 by the Financial Supervisory Commission in accordance with the Securities and Exchange Act irrespective of having provided the Commission with a detailed reply of comments. | <ol style="list-style-type: none"> 1. The Bank now sends out materials of any meeting to directors and supervisors seven days prior to the date of the Board of Directors' meeting and two days prior to the managing directors' meeting and retains the recipients' sign-off records for reference. 2. The Bank now complies with Article 17 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" and records the method of resolution, results and comments or opinions expressed by any director or supervisor relevant to the resolution in the minutes of the meeting. |
| (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 Banking Act of ROC | None | None |
| (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 |

- (12) Material Resolutions of Shareholders Meetings or Board of Directors Meetings During the Current Fiscal Year up to the Date of Printing of the Annual Report
- A. Major Resolutions of Shareholders' Meeting of 2011 and their Implementation Status
- Annual Accounts for 2010: Resolution Approved.
 - Appropriation of 2010 Earnings: Resolution Approved.
 - Revision to the Articles of Incorporation: Resolution Approved.
- B. Major Resolutions of Board Meetings During 2011 up to the Date of Printing of the Annual Report:
- The Board of Directors approved the 2011 business budgets in the 15th meeting of the 7th Board convened on January 19, 2011.
 - On March 18, 2011, in the 16th meeting of the 7th Board of Directors, the Board's resolution approves the Revision of the Articles of Incorporation and "Regulations on Organization Structure" which adds a Vehicle Loan Department, and the 2010 Earnings Appropriation Case.
 - On May 11, 2011, the 17th Meeting of the 7th Board of Directors passed resolutions on the revision of "Investment Policy" and "Asset Valuation Operation and Guidelines for allocating Allowance for uncollectible accounts"
 - On July 6, 2011, the 18th Meeting of the 7th Board of Directors passed resolutions on the "issuance of 5.5 years (inclusive) ~ 10 years (inclusive), upper amount limit 2 billion NT dollars (inclusive) subordinated financial bonds".
 - On August 24, 2011, the 19th Meeting of the 7th Board of Directors passed resolutions for the application for the establishment of "Hong Kong Branch" and "Regulations for the organization of Salary and Remuneration Committee".
 - On October 19, 2011, the 20th Meeting of the 7th Board of Directors passed resolutions for the Revision of the upper amount limit for the issuance of subordinated financial bonds (Increase to 6 billion NT dollars from the original 2 billion NT dollars).
 - On January 11, 2012, the 22th meeting of the 7th Board of Directors passed resolutions on the 2011 Business Budget.
 - On March 7, 2012, the 23th meeting of the 7th Board of Directors passed resolutions on the Revision of "Rules for conducting of the Shareholders' Meeting", "Articles of Incorporation", "Regulations governing the Board of Directors Meeting" and the "Separation of duties and responsibilities between Shareholders' Meeting, Board of Directors and Management Executives", the establishment of "Rules governing the responsibilities of Supervisors", "2011 Business Report and 2011 Financial Statements", "2011 Earnings Appropriation" and "Capitalization of Earnings—Issuance of 77,939,983 common shares" case.
 - On May 2, 2012, the 23th meeting of 7th Board of Directors passed resolutions on the case on "CPA hiring independence and CPA Audit Fees".
- (13) 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.
- (14) 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 fees

(1)

| Name of CPA Firm | Name of CPA | | Audit Period | Note |
|--------------------------------------|---------------|-----------|-------------------------|------|
| T N Soong & Co and Deloitte & Touche | Terence Huang | Ray Chang | January ~ December 2011 | |

CPA Professional Fees Bracket

In NT\$ thousand

| Fees Bracket | | Type of Fees | Audit Fees | Non-audit Fees | Total |
|--------------|-------------------------------|--------------|------------|----------------|-------|
| 1 | Under 2,000,000 | | | | |
| 2 | 2,000,000 (incl.) ~4,000,000 | | | | |
| 3 | 4,000,000 (incl.) ~6,000,000 | | | V | |
| 4 | 6,000,000 (incl.) ~8,000,000 | | V | | |
| 5 | 8,000,000 (incl.) ~10,000,000 | | | | |
| 6 | 10,000,000 and above | | | | V |

- (2) 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:

In NT\$ thousand

| Name of CPA Firm | Name of CPA | Audit Fee | Non-Audit Fee | | | | | CPA Audit Period | Note |
|-------------------|----------------------------|-----------|---------------|-------------------------|-----------------|----------------|----------|------------------|--|
| | | | System Design | Commercial Registration | Human Resources | Others (Notes) | Subtotal | | |
| Deloitte & Touche | Terence Huang Ray Chang | 6,920 | — | — | — | 4,751 | 4,751 | 2011 | Others are mainly the IFRSs project and Internal Control Audit |

- (3) 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: None.
- (4) Auditing fee is 15% or more below the fee charged for the previous year: None.

5. Information on replacement of CPA: None.

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

7. Changes in shareholding and share pledges of Directors, Supervisors, Executive Officers and any person requiring to declare his/her registration of shares pursuant to Article 25. 3 of the Securities and Exchange Law:

(1) Changes in shareholding

| Title | Name | 2011 | | April 24, 2012 | |
|----------------------|---|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | 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 | Jin-Fu Liu | 0 | 0 | 0 | 0 |
| Managing 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 |
| President | Jeff Lin | 0 | 0 | 0 | 0 |
| SEVP | Cheng-Yu Liu | 0 | 0 | 0 | 0 |
| SEVP | Herman Tu | 0 | 0 | 0 | 0 |
| SEVP | Yin-Bor Chan | 0 | 0 | 0 | 0 |
| Chief Auditor | Kuo-Pao Kang | 0 | 0 | 0 | 0 |
| EVP | Patrick Jean | 0 | 0 | 0 | 0 |
| EVP | Chi-Pin Chen | 0 | 0 | 0 | 0 |
| EVP | Cheng-Juh Hsieh | 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 | Chien-Hui Li | 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 |

| Title | Name | 2011 | | April 24, 2012 | |
|---------|------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | Shareholding Increase (Decrease) | Share Pledges Increase (Decrease) | Shareholding Increase (Decrease) | Share Pledges Increase (Decrease) |
| Manager | Wen-Chien Chien | (27,775) | 0 | 0 | 0 |
| Manager | Hui-Fen Chen | 0 | 0 | 0 | 0 |
| Manager | Joy Tang | (9,000) | 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 | Kuen-Yuan Tsai | 0 | 0 | 0 | 0 |
| Manager | Jacky Liao | 0 | 0 | 0 | 0 |
| Manager | Rong-Hui Huang | 0 | 0 | 0 | 0 |
| Manager | Ting-Ting Wu | 0 | 0 | 0 | 0 |
| Manager | Jane Lu | (23,000) | 0 | 0 | 0 |
| Manager | Kuo-Shian Shia | 0 | 0 | 0 | 0 |
| Manager | Hedy Wei | 0 | 0 | 0 | 0 |
| Manager | Yu-Hsiu Hsu | 0 | 0 | 0 | 0 |
| Manager | Peter Chien | 0 | 0 | 0 | 0 |
| Manager | Russell YC Chang | 0 | 0 | 0 | 0 |
| Manager | Chang-Chen Lin | 0 | 0 | 0 | 0 |
| Manager | Tiffany Yu | (9,000) | 0 | 0 | 0 |
| Manager | Mei-Lan Lin | (11,000) | 0 | 0 | 0 |
| Manager | Yao-Tsung Kao | 0 | 0 | 0 | 0 |
| Manager | Chu-Shih Wei | 0 | 0 | 0 | 0 |
| Manager | Sophie Hsu | 0 | 0 | 0 | 0 |
| Manager | Michael Lee | (18,151) | 0 | 0 | 0 |
| Manager | Ching-Chung Lin | 0 | 0 | 0 | 0 |
| Manager | Denfer 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 | Lawrence Chen | (5,000) | 0 | 0 | 0 |
| Manager | Yeong-Jin Hwang | 0 | 0 | 0 | 0 |
| Manager | Meng-Hsia Wu | (9,000) | 0 | 0 | 0 |
| Manager | Ray Cheng | 0 | 0 | 0 | 0 |
| Manager | Ching-Wen Chen | 0 | 0 | 0 | 0 |
| Manager | Chih-Chung Chang | 6,000 | 0 | 0 | 0 |
| Manager | Ching-Shan Chang | 0 | 0 | 0 | 0 |
| Manager | Lanny Liaw | 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 | Teh-Chin Tsai | 0 | 0 | 0 | 0 |
| Manager | Huang-Wen Huang | 0 | 0 | 0 | 0 |
| Manager | Hsiu-Yun Su | 0 | 0 | 0 | 0 |

| Title | Name | 2011 | | April 24, 2012 | |
|---------|-------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | Shareholding Increase (Decrease) | Share Pledges Increase (Decrease) | Shareholding Increase (Decrease) | Share Pledges Increase (Decrease) |
| Manager | Shis-Wen Lu | 0 | 0 | 0 | 0 |
| Manager | Hung-Min Chen | 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 | Candy Lin | 0 | 0 | 0 | 0 |
| Manager | Roger Chang | (30,551) | 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 | CM Huang | 0 | 0 | 0 | 0 |
| Manager | I-Wen Ho | 0 | 0 | 0 | 0 |
| Manager | Yuen-Song Lin | 0 | 0 | 0 | 0 |
| Manager | Jeffery Tsai | 15,000 | 0 | 0 | 0 |
| Manager | Ju-Ling Kuo | 0 | 0 | 63,000 | 0 |
| Manager | Wen-Hui Lin | 0 | 0 | 0 | 0 |
| Manager | Miranda Tsai | 0 | 0 | 0 | 0 |
| Manager | Kuen-Cheng Chou | 0 | 0 | 0 | 0 |
| Manager | Jyh-Chiang Huang | 0 | 0 | 0 | 0 |
| Manager | Jenny Cheng | 0 | 0 | 0 | 0 |
| Manager | Chen-Han Pan | 0 | 0 | 0 | 0 |
| Manager | Ping-Hul Lin | 0 | 0 | 0 | 0 |
| Manager | Shiu-Lan Hsieh | 0 | 0 | 0 | 0 |
| Manager | Tereasa Lin | 0 | 0 | 0 | 0 |
| Manager | Amy Chung | 0 | 0 | 0 | 0 |
| Manager | Ru-Jwu Tsai | 0 | 0 | 0 | 0 |
| Manager | Yao-Hsien Lee | 0 | 0 | 0 | 0 |
| Manager | Chao-Chuan Chuang | 0 | 0 | 0 | 0 |
| Manager | Jung-Hsiang Chung | 0 | 0 | 0 | 0 |
| Manager | Richard Yang | 0 | 0 | 0 | 0 |
| Manager | Chang-Fu Tsai | 0 | 0 | 0 | 0 |
| Manager | Connie Tseng | 0 | 0 | 0 | 0 |
| Manager | Lisa Lu | 0 | 0 | 0 | 0 |
| Manager | Shiu-Ju Huang | 0 | 0 | 0 | 0 |
| Manager | Chin-Chung Kuan | 0 | 0 | 0 | 0 |
| Manager | Yanger Yang | 0 | 0 | 0 | 0 |

| Title | Name | 2011 | | April 24, 2012 | |
|---------|---------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | Shareholding Increase (Decrease) | Share Pledges Increase (Decrease) | Shareholding Increase (Decrease) | Share Pledges Increase (Decrease) |
| 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 for Top 10 Shareholders Being the Related Parties

April 24, 2011 Unit: Shares ; %

| 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 | 150,085,418 2,664 | 7.70% 0 | - - | - - | - - | - - | 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 | 98,498,074 13,025,492 | 5.05% 0.66% | - 1,129,883 | - 0.05% | - - | - - | Chu-Pao Investment Co. Pai-Sheng Investment Co. | The Company's responsible person is the same as that of the other company |
| Tien-Sheng Investment Co. Representative: Sue-Feng Tsao | 97,554,194 2,664 | 5.00% 0 | - - | - - | - - | - - | Chung Li Investment Co. Tien-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 | 90,818,763 421,531 | 4.66% 0.02% | - - | - - | - - | - - | - | - |

Corporate Governance

| 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 |
| Wei-Chih Investment Co. Representative: S.S. Yeh | 84,063,358 14,429,919 | 4.31% 0.74% | - | - | - | - | | |
| Chu-Pao Investment Co. Representative: Si-Yong Lin | 81,811,606 13,025,492 | 4.19% 0.66% | 1,129,883 | - 0.05% | - | - | 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 | 75,340,726 138,900 | 3.86% 0 | - | - | - | - | | |
| EnTie Commercial Bank Representative: Mark Zoltan Chiba | 72,781,200 0 | 3.73% 0 | | | | | | |
| Cheng-Pon Construction Co. Representative: Ern-Chi Tsai | 72,583,961 0 | 3.72% 0 | - | - | - | - | | |
| Chi-Shun Investment Co. Representative: Jyh-Dong Chen | 70,115,261 241,067 | 3.59% 0.01% | - | - | - | - | | |

9. Ownership of Investee Companies

December 31, 2011 Unit: Shares ; %

| Investee Companies ^{Note} | Invested by the Bank (A) | | Investments from Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank (B) | | Total Investments (C=A+B) | |
|---|--------------------------|---------|--|-----------|---------------------------|---------|
| | | | Shares | % | | |
| | Shares | % | Shares | % | Shares | % |
| Union Finance Int'l (HK)Ltd. | 30,000,000 | 99.99% | 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% | 2,595,656 | 8.65% | 13,095,656 | 43.65% |
| 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% |
| 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. | 10,774,125 | 2.39% | 0 | 0.00% | 10,774,125 | 2.39% |
| Fu Hua Venture Corporation | 3,000,000 | 5.00% | 0 | 0.00% | 3,000,000 | 5.00% |
| Jiao Da Venture Corporation | 1,192,800 | 5.00% | 0 | 0.00% | 1,192,800 | 5.00% |
| Taiwan Depository & Clearing Corp. | 779,390 | 0.25% | 0 | 0.00% | 779,390 | 0.25% |
| Taiwan Futures Exchange Co., Ltd. | 5,537,763 | 2.04% | 0 | 0.00% | 5,537,763 | 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% |
| Taipower Corporation | 394,879 | 0.0012% | 0 | 0.00% | 394,879 | 0.0012% |
| Global Communication Semiconductor, Holdings Inc. | 277,777 | 0.85% | 0 | 0.00% | 277,777 | 0.85% |
| Sunny Asset Management Co. | 386,376 | 6.44% | 0 | 0.00% | 386,376 | 6.44% |

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

Fund Raising Status

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. 2011 | 10 | 3,000,000,000 | 30,000,000,000 | 1,948,499,589 | 19,484,995,890 | Capital increase by cash | — |

| Type of Shares | Authorized Capital | | | Remark |
|---------------------------------------|--------------------|-----------------|---------------|---|
| | Issued Shares | Unissued Shares | Total | |
| Common Stock | 1,645,990,789 | 1,051,500,411 | 3,000,000,000 | Listed shares |
| Preferred stocks of private placement | 302,508,800 | | | Private placement as shares are non-publicly traded |

(2) Shareholder Composition

April 24, 2012

| | Government Agencies | Financial Institutions | Other Legal Entities | Individuals | Foreign Institutions & Individuals | Total |
|---------------------|---------------------|------------------------|----------------------|-------------|------------------------------------|---------------|
| No. of Shareholders | 3 | 1 | 74 | 24,663 | 80 | 24,821 |
| No. of Shares Held | 114,604 | 72,781,200 | 1,490,073,763 | 340,548,483 | 44,981,539 | 1,948,499,589 |
| % of Shareholding | 0.01% | 3.74% | 76.47% | 17.47% | 2.31% | 100% |

(3) Distribution of Shareholding (Preferred Stock Included)

Par value NT\$10; April 24, 2012

| Class of Shareholding | Number of Shareholders | Shareholding (Shares) | Shareholding (%) |
|-----------------------|------------------------|-----------------------|------------------|
| 1 ~ 999 | 13,445 | 3,699,297 | 0.19% |
| 1,000 ~ 5,000 | 5,225 | 12,941,508 | 0.66% |
| 5,001 ~ 10,000 | 3,427 | 29,421,960 | 1.51% |
| 10,001 ~ 15,000 | 964 | 11,221,541 | 0.58% |
| 15,001 ~ 20,000 | 435 | 7,638,918 | 0.39% |
| 20,001 ~ 30,000 | 323 | 8,046,464 | 0.41% |
| 30,001 ~ 50,000 | 315 | 12,507,940 | 0.64% |
| 50,001 ~ 100,000 | 288 | 21,248,499 | 1.09% |
| 100,001 ~ 200,000 | 171 | 23,664,016 | 1.21% |
| 200,001 ~ 400,000 | 108 | 30,695,116 | 1.58% |
| 400,001 ~ 600,000 | 24 | 11,705,087 | 0.60% |
| 600,001 ~ 800,000 | 15 | 10,089,641 | 0.52% |
| 800,001 ~ 1,000,000 | 10 | 9,101,450 | 0.47% |
| Over 1,000,001 | 71 | 1,756,518,152 | 90.15% |
| Total | 24,821 | 1,948,499,589 | 100.00% |

Preferred Stocks

Par Value per share: NT\$10; April 24, 2012;

| Class of Shareholding | No. of shareholders | No. of shares Held | % of shareholding |
|-------------------------|---------------------|--------------------|-------------------|
| 20,000,000~100,000,000 | 4 | 179,236,464 | 59.25% |
| 100,000,001~200,000,000 | 1 | 123,272,336 | 40.75% |
| Total | 5 | 302,508,800 | 100.00% |

Fund Raising Status

(4) Major Shareholders

April 24, 2012

| Major Shareholders | Shares | No. of shares Held | % of shareholding |
|---|--------|--------------------|-------------------|
| Tsong-Li Investment Co., Ltd. | | 150,085,418 | 7.70% |
| Pai-Sheng Investment Co., Ltd. | | 98,498,074 | 5.05% |
| Tien-Sheng Investment Co., Ltd. | | 97,554,194 | 5.00% |
| Chien-Yuan Investment Co., Ltd. | | 90,818,763 | 4.66% |
| Wei-Chih Investment Co., Ltd. | | 84,063,358 | 4.31% |
| Chu-Pao Investment Co., Ltd. | | 81,811,606 | 4.19% |
| Kun-Che Investment Co., Ltd. | | 75,340,726 | 3.86% |
| EnTie Commercial Bank | | 72,781,200 | 3.73% |
| Jen-Pang Construction Co., Ltd. | | 72,583,961 | 3.72% |
| Chi-Shun Investment Co., Ltd. | | 70,115,261 | 3.59% |
| Pao-Hsing Investment Co., Ltd. | | 68,525,970 | 3.51% |
| Union Enterprise Construction Co., Ltd. | | 68,477,951 | 3.51% |
| Hung-Hsiang Investment Co., Ltd. | | 67,813,357 | 3.48% |
| Hong-Gow Construction Co., Ltd. | | 63,422,795 | 3.25% |
| Bai-Ing Investment Co., Ltd. | | 62,479,833 | 3.20% |
| Chen-Sheng Investment Co., Ltd. | | 58,792,099 | 3.01% |
| Lin, Chang Su-O | | 58,449,911 | 2.99% |
| Lin Rung San Foundation of Culture and Social Welfare | | 52,018,399 | 2.66% |
| Chen-Chem Investment Co., Ltd. | | 51,707,476 | 2.65% |
| Hong-Pern Construction Co., Ltd. | | 44,620,048 | 2.28% |
| Hong-Pang Construction Co., Ltd. | | 37,759,135 | 1.93% |
| Union Recreation Enterprise Corp. | | 33,126,416 | 1.70% |
| Yu-Pang Co., Ltd. | | 28,605,984 | 1.46% |

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 | 2010 | 2011 | Mar 31, 2012 |
|------------------------|-------------------------|---------------|-------------------|----------------------------------|
| | | | | |
| Market price per share | Highest | 11.45 | 12.50 | 10.85 |
| | Lowest | 5.21 | 9.06 | 9.33 |
| | Average | 7.46 | 10.58 | 10.20 |
| Net Worth per share | Before Distribution | 10.37 | 11.51 | 12.02 |
| | After Distribution | 10.37 | Note ⁴ | Note ⁴ |
| Earning per share | Weighted Average Shares | 1,524,818,274 | 1,645,990,789 | 1,645,990,789 |
| | Earning Per Share(\$) | 0.92 | 1.00 | 0.39 ^{Note⁵} |

Fund Raising Status

| Year | | 2010 | 2011 | Mar 31,2012 |
|-----------------------|--|---------------------------------|------|-------------|
| Item | | | | |
| Dividend per share | Cash Dividends | | - | Note4 |
| | Stock Dividends | Dividends from retained earning | - | Note4 |
| | | Dividends from capital reserve | - | Note4 |
| | Accumulated Dividends | | - | - |
| Return on investments | Price/Earning Ratio ^{Note1} | | 8.11 | 10.58 |
| | Price/Dividend Ratio ^{Note2} | | - | Note4 |
| | Cash dividends yield rate ^{Note3} | | - | Note4 |

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.
4. Until the Annual Report Printing Date, the case for the distribution of earning for 2011 has not been passed by a resolution of the 2012 Shareholder's meeting; hence, it will not be disclosed.
5. Net worth per share and earnings per share are calculated based on the numbers accumulated up to the end of March, 2012 which are approved by CPA.

(6) Dividend Policy and Implementation

- A. The Bank's dividend policy has set out in the Articles of Incorporation: Refer to pages 140-142
- B. Proposal for dividend distribution for the current year:
The Bank's net profit after tax for 2011 is NT\$ (Same for all the following) 1,826,614,788 plus the Reversal number of special reserve for 266,263,450 dollars hence the total surplus available for appropriation is 2,092,878,238 dollars, On March 7, 2012, the 23th of 7th session Board of Director Meeting passed a resolution according to the regulations in Article 4-1 and Article 6 of the Bank's Articles of Incorporation, which proposes to appropriate dividend as follows:
 - a. Appropriate Dividend for Preferred Stock: Appropriation of accumulated undistributed preferred stock dividends in the amount of 929,067,453 dollars, among the number, 757,451,015 dollars is appropriated from the surplus available for appropriation, and the other 171,616,438 dollars is appropriated from Preferred Stock Dividend Expenses Payable allocated in accordance with the Financial Accounting Principle by the Bank.
 - b. Appropriation of Common Stock and Preferred Stock dividend (0.4 dollar per share): in total of 779,399,836 dollars.

(7) Impact on the bank's Operations Results and Earning per Share resulting from the Proposal for Stock Dividend Distribution

| Item | Year | Year2012 (Forecast) |
|--------------------------------------|--|------------------------|
| Beginning Paid-In Capital | | 19,484,996,000 |
| Stock and Cash Dividend in this Year | Cash Dividend per share | Note1 |
| | Capitalization of Retained Earnings Stock Dividend per share | 0.04share |
| | Capitalization of Capital Reserves Stock Dividend per share | None |

Fund Raising Status

| Item | Year | Year2012 (Forecast) |
|--|--|---|
| Operation Result Changes | Operating Profit | Not applicable Note2 |
| | Ratio of Increase (Decrease) in Operating Profit Compared to the same period last year | |
| | Net Profit after Tax | |
| | Ratio of Increase (Decrease) in After Tax Profit Compared to the same period last year | |
| | Earnings per Share (dollar) | |
| | Ratio of Increase (Decrease) in Earnings per share Compared to the same period last year | |
| | Annual Average Return on Investment (Reciprocal of Annual Average Price/Earnings Ratio) | |
| Pro forma Earnings per Share and P/E Ratio | If Capitalization of Surplus is all changed to the Issuance of Cash Dividend | Pro forma earnings per share (dollar) |
| | | Pro forma annual average return on investment |
| | If Capitalization of Capital Reserve in not conducted. | Pro forma earnings per share (dollar) |
| | | Pro forma annual average return on investment |
| | If Capitalization of Capital Reserve is not conducted and | Pro forma earnings per share (dollar) |
| | | Pro forma annual average return on investment |

Note:

1. According to the regulations in the Articles of Incorporation of the Bank, this year will appropriate the undistributed preferred stock dividend accumulated from Sep. 26, 2007 to Dec. 31, 2011. Annual dividend per share is 0.6 dollars, and the total preferred stock dividend is 3.071208 dollars/share.
2. The Bank does not announce its financial forecast for 2012. According to the regulation stipulated in the letter numbered 2000/2/1(2000)Tai Tsai Cheng(1) Zi No.00371 from Securities and Futures Commission Ministry of Finance R.O.C., companies that do not announce their financial forecast, there is no need to disclose this information.

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

- A. The percentages or ranges with respect to employee bonuses and director/supervisors' remuneration, as set forth in the Bank's Articles of Incorporation: According to the Bank's Dividend Policy.
- B. The basis for estimating the amount of employee bonuses and director/supervisors' remuneration, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: Not applicable.
- C. The proposals to distribute employee bonuses as approved by the Board of Directors are as follows:
 - a. The value of employee cash/stock bonuses and director/supervisor compensation: None.
 - b. The value of the proposed employee stock bonus as a percentage to the sum of the current after-tax net income plus total employee bonuses: Not applicable.
 - c. The computed earnings per share after the proposed distribution of employee bonuses and director/supervisors' remuneration: Not applicable.
- D. The actual distribution of employee bonuses and director/supervisors' remuneration for the previous fiscal year and, if there is any discrepancy

Fund Raising Status

between the above-stated actual distribution and the recognized employee bonuses and director/supervisors' remuneration: Not applicable.

(9) Share Repurchases by the bank: None

2. Issuance of Financial Debentures

| Type of Financial Debentures | 1st Subordinated Financial Debentures issued in 2006 | 1st Subordinated Financial Debentures issued in 2009 | 1st Subordinated Financial Debentures issued in 2011 | 1st Subordinated Financial Debentures issued in 2012 |
|--|---|--|--|--|
| Date & No. Approved by Central Competent Authority | Jin-Kuan-Yin-(2)-Zi-No. 0940031436 Nov. 14, 2005 | Jin-Kuan-Yin-Kuo-Zi-No. 09800384990 Sep. 4, 2009 | Jin-Kuan-Yin-Kuo-Zi-No. 10000158270 May 12, 2011 | Jin-Kuan-Yin-Kuo-Zi-No. 10000387590 Nov. 8, 2011 |
| Issuing Date | Nov. 7, 2006 | Dec. 30, 2009 | Jun. 15, 2011 | Mar. 1, 2012 |
| Face Value | 10,000,000 | 10,000,000 | 1,000,000 | 1,000,000 |
| Issuance/ Trade Place | Domestic | Domestic | Domestic | Domestic |
| Currency | NTD | NTD | NTD | NTD |
| Issuance Price | Issued at par | Issued at par | Issued at par | Issued at par |
| Issuance Amount | Class A : 1.2 billion Class B: 0.8 billion | 0.9 billion | 2 billion | 1.5 billion |
| Interest Rate | Class A :2.60%, fixed Class B: Bank of Taiwan's fixed interest rate for 1-year time deposit +0.3% | 2.95%, fixed rate | 2.78%, fixed rate | 2.32%, fixed rate |
| Term | Class A :5.5 Years Maturity Date: May 7, 2012 Class B: 7 Years Maturity Date: Nov. 7, 2013 | Maturity Date: Jun. 30, 2016 | Maturity Date: Jun. 15, 2018 | Maturity Date: Mar. 1, 2019 |
| Order of Redemption | Subordinate | Subordinate | Subordinate | Subordinate |
| Guarantor | Nil | Nil | Nil | Nil |
| Trustee | Nil | Nil | Nil | Nil |
| Underwriter | Nil | Nil | Nil | Nil |
| Auditor | S.S. Lai | S.S. Lai | S.S. Lai | S.S. Lai |
| CPA | Deloitte & Touche (Terence Huang/ Yi-Chun Wu) | Deloitte & Touche (Terence Huang/ Jih-Yen Chang) | Deloitte & Touche (Terence Huang/ Jih-Yen Chang) | Deloitte & Touche (Terence Huang/ Jih-Yen Chang) |
| Certifying Financial Institution | "Book-Entry". | "Book-Entry" | "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 |
| Unredeemed Balance | 1.99 billion | 0.9 billion | 2 billion | 1.5 billion |
| Paid-in Capital For the Previous Fiscal Year | 18.25 billion | 23.19 billion | 19.48 billion | 19.48 billion |
| After-tax Net Worth for the Previous Fiscal Year | 18.33 billion | 17.08 billion | 20.09 billion | 21.97 billion |

Fund Raising Status

| Type of Financial Debentures | 1st Subordinated Financial Debentures issued in 2006 | 1st Subordinated Financial Debentures issued in 2009 | 1st Subordinated Financial Debentures issued in 2011 | 1st Subordinated Financial Debentures issued in 2012 |
|--|---|---|---|---|
| Performance | Normal | Normal | Normal | Normal |
| Redemption or Early Redemption | Nil | Nil | Nil | Nil |
| Conversion & Exchange Conditions | Nil | Nil | Nil | Nil |
| Restrictions terms | 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 |
| Balance of issued debentures before adding the declared issue amount as a percentage of after-tax net worth for the previous fiscal year (%) | 10.85% | 16.92% | 24.34% | 29.09% |
| Whether it is accounted for as regulatory and type | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| Name of rating agency, date and result of rating | Nil | Taiwan Ratings Corp. twBBB+ Aug.12,2009 | Taiwan Ratings Corp. twBBB+ Apr 27,2011 | Taiwan Ratings Corp. twBBB+ Apr 27,2011 |

3. Issuance of Preferred Stock

| Date of Issuance Item | | Sept. 26, 2007 Grade-A preferred stock |
|-----------------------|---|---|
| Face Value | | 10 |
| Issuing 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. However, they are entitled to be elected as directors and supervisors and the right to vote in preferred shareholders' meeting. |

Fund Raising Status

| Issuance Item | Date of | Sept. 26, 2007 Grade-A preferred stock | |
|---|--|---|-----------|
| | Others | The earnings of annual final account, if any, shall pay for income 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 preferred 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 earnings of annual final account or the remaining earnings cannot afford to allocate Grade-A preferred stock dividends, the unallocated or insufficient Grade-A preferred stock dividends shall be cumulated and allocated in the following year as the first priority. | |
| In circulation preferred stock | Collected or converted amount | 974,912,000 | |
| | Uncollected or unconverted balance | 3,025,088,000 | |
| | 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 preferred stock may be converted to one common stock as of the day following expiration of one year from the issuing date of Grade-A preferred 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 preferred 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 preferred 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 preferred stock is outstanding. | |
| Market value per share | As of 12-31- 2011 | Maximum | Un-listed |
| | | Minimum | Un-listed |
| | | Average | Un-listed |
| Contingent upon other rights | Converted or subscribed amount as of the publication date of the annual report | 0 | |
| | Rules for issuance, conversion or option | As per the preceding terms & conditions of conversion. | |
| 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 | | - | |



Fund Raising Status

4. The status of Overseas Depository Receipts and Employee Stock Option:

None

5. Acquisitions or Disposition of Other Financial Institutions

- (1) Where the bank has acquired another financial institution through merger or acquisition in the most recent fiscal year, the annual report shall disclose the CPA's opinion on the reasonableness of the share swap ratio: None.
- (2) Mergers or acquisitions, of other financial institutions in the past five years:
 - A. The Bank's shareholders resolved in the general shareholders' meeting held on April 23, 2010 to issue new shares to acquire Union Bills Finance Corporation. Procedures relating to the merger was completed on August 16, 2010.
 - B. Where the Bank has issued new shares for the acquisition of the shares of another financial institution, the annual report shall include an evaluation opinion prepared by the managing underwriter.
- (3) Where the Board of Directors has, during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, adopted a resolution approving issuance of new shares due to merger or acquisition of shares of another financial institution, the annual report shall disclose the state of implementation and the basic information of the institution merged or acquired: None.

6. Fund Utilization Plan and Execution Status

1. Fund Utilization Plan
 - A. Description of the plan: Please see pages 65-67 for details of previous public issues or private placement of securities and bank debentures.
 - B. Uncompleted previous public issues or private placement of securities, or those completed in the most recent three years but have not yet fully yielded the planned benefits: None.
2. Execution Status
Status of implementation: Please see pages 85-91 for the Bank's financial information and changes in the capital adequacy ratio for years 2007 through 2011.

Operational Highlights

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 card services.
- e. Wealth management, trust, custodian business, safe-deposit box rental and certification services for marketable securities.
- f. To trade marketable securities and futures on behalf of customers.
- g. To act as collecting and paying agent for peripheral financial services including public facilities expenses, remittances and taxes.
- h. To conduct other relevant businesses authorized by the competent authorities.

B. Operational Highlight

a. Deposits

Unit: NT\$ Million

| Type | December 31, 2011 | | December 31, 2010 | | Comparison | |
|-----------------|-------------------|------|-------------------|------|---------------------|--------------|
| | Amount | % | Amount | % | Increase (Decrease) | Growth Rate% |
| Current Deposit | 130,426 | 39.6 | 125,582 | 41.9 | 4,844 | 3.9 |
| Time Deposit | 199,220 | 60.4 | 174,119 | 58.1 | 25,101 | 14.4 |
| Total | 329,646 | 100 | 299,701 | 100 | 29,945 | 9.99 |

b. Loans

Unit: NT\$ Million

| Type | December 31, 2011 | | December 31, 2010 | | Comparison | |
|-------------------|-------------------|------|-------------------|-------|---------------------|--------------|
| | Amount | % | Amount | % | Increase (Decrease) | Growth Rate% |
| Consumer Banking | 111,865 | 58.3 | 117,036 | 61.67 | (5,171) | -4.42 |
| Corporate Banking | 80,022 | 41.7 | 72,750 | 38.33 | 7,272 | 10 |
| Total | 191,887 | 100 | 189,786 | 100 | 2,101 | 1.1 |

c. Foreign Exchange

Unit: US\$ Million

| Type | December 31, 2011 | | December 31, 2010 | | Comparison | |
|---------------------|-------------------|-------|-------------------|-------|---------------------|--------------|
| | Amount | % | Amount | % | Increase (decrease) | Growth Rate% |
| Exports | 129 | 3.31 | 85 | 2.57 | 44 | 51.76 |
| Imports | 187 | 4.80 | 173 | 5.23 | 14 | 8.09 |
| Foreign Remittances | 3,579 | 91.89 | 3,051 | 92.20 | 528 | 17.31 |
| Total | 3,895 | 100 | 3,309 | 100 | 586 | 17.71 |

Operational Highlights

d. Trust & Wealth Management

Unit: NT\$ Million

| Type | | December 31, 2011 | December 31, 2010 | Comparison | |
|-------------------|--|----------------------|-------------------|------------------------|--------------|
| | | Amount | Amount | Increase (decrease) | Growth Rate% |
| Trust | Non-discretionary Money Trust Invested in Securities | 33,131 | 33,152 | (21) | -0.06 |
| | Fund Safekeeping | 7,330 | 6,464 | 866 | 13.40 |
| | Real Estate Trust | 7,674 | 2,989 | 4,685 | 156.74 |
| | Other Trusts | 3,094 | 2,379 | 715 | 30.05 |
| | Subtotal | 51,229 | 44,984 | 6,245 | 13.88 |
| Ancillary Service | Other Custodian Business | 524 | 985 | (461) | -46.80 |
| | Certification Business | 14,785 | 14,285 | 500 | 3.50 |
| | Subtotal | 15,309 | 15,270 | 39 | 0.26 |
| Total | | 66,538 | 60,254 | 6,284 | 10.43 |

e. Credit Card Business

Unit: NT\$ Million ; Card

| Item | December 31, 2011 | December 31, 2010 | Comparison | |
|--------------------------|----------------------|----------------------|------------------------|--------------|
| | Amount / Card | Amount / Card | Increase (Decrease) | Growth Rate% |
| Cards in Circulation | 2,068,118 | 1,680,984 | 387,134 | 23.03 |
| Valid cards | 981,561 | 974,536 | 7,025 | 0.72 |
| Ratio of valid cards | 47.46% | 57.97% | -10.51% | -18.13 |
| Credit Amount | 48,952 | 50,672 | (1,720) | -3.39 |
| Cash Advance Amount | 1,504 | 2,009 | (505) | -25.14 |
| Accounts Receivables | 13,551 | 15,184 | (1,633) | -10.75 |
| Revolving Credit Balance | 6,758 | 7,879 | (1,121) | -14.23 |
| Sales Amount | 64,654 | 62,654 | 2,000 | 3.19 |

f. Revenue and Percentage by Business

| Item | % of Total Revenue 2011 | % of Total Revenue 2010 | Changes (%) |
|---------------------------|-------------------------|-------------------------|-------------|
| Corporate Banking | 18.11 | 19.92 | -1.81 |
| Consumer Banking | 41.51 | 51.82 | -10.31 |
| Trust & Wealth Management | 5.55 | 5.96 | -0.41 |
| Investment Banking | 25.54 | 31.94 | -6.39 |
| Other | 9.29 | -9.64 | 18.92 |
| Total | 100 | 100 | |

(2) Business Plan for 2012

A. Deposit Business

Proactively attract deposit for expanding operation foundation and providing sufficient working capital to increase market share; and extensively install ATMs outside of the Bank premises to enhance the Bank's brand image through the extension of service channels.

B. Loan Business

a. Corporate Banking

Considering both risks and benefits, the Bank will steadily promote corporate banking business and the priority will be given to industrial and commercial loans and equity financing loans. The industrial and commercial loans will focus on cases which are self-liquidating, with collateral and guaranteed by credit guarantee fund. The equity financing loans will give priority to cases which are backed by good quality stocks of TWSE/GTSM listed companies.

b. Consumer Banking

-In response to the worries of housing bubble triggered by inflation, the lending policy for residential mortgage continues to give priority to customers buying their own homes so as to effectively control credit risk.

-Vehicle loans are predominantly granted to people buying vehicles for their personal uses and to customers of means and repayment capability, and focus on the authenticity of the purchase transaction. Select high-quality car dealers to ensure the quality of loan assets.

-Design different loan projects for different customer groups, and actively train sales staff to enhance their professional knowledge and sales skills.

c. Bills Finance

-Actively expand the sources of bills and improve trading turnover rate to create maximum profits.

-Select good targets to establish yielding position and adjust the position according to credit rating. Select shorter period and high yield targets, and actively expand stable customers with lower capital costs to increase the yielding interest spread.

d. Strengthen loan reviews and enhance notification of abnormal cases to control the occurrence of NPL.

C. Foreign Exchange Business

a. Establish designated foreign exchange branches to provide customers with better and faster service while expanding foreign exchange business.

b. Continue to expand international financial investment business to make the most effective use of funds.

c. Establish Hong Kong Branch to expand into overseas market and grab

business opportunities overseas.

- D. Trust and Wealth Management Business
 - a. Provide electronic operating services and good-quality wealth management backstage support to satisfy the needs for Simplification, Safety, Legality and Speediness.
 - b. Aggressively seek to take up the old and new fund custody business, and strengthen the control functions of personal trust and custody operation system.
 - c. Research and develop new trust products, strengthen marketing activities and promote cross-departmental and cross-industry cooperation to enhance the market share and revenue.
 - d. Strengthen the promotion and marketing activities, and provide differentiated services for different customer segments. Introduce a wide spectrum of financial products such as insurance, investment, multi-currency products to increase the scale of assets under management.
- E. Credit Card
 - a. Except planning birthday presents, credit card spending amount presents and customized promotion activities during consumption peak season for VIPs, the Bank will continue VIP privilege project to increase the sense of honor for their credit card holders and enhance customers' loyalty and the spending by the Bank's cards.
 - b. In response to the consumption market which is becoming more conservative, the Bank will strengthen and expand its cooperation with household channel. In addition, to cope with the increasing sales volumes through internet, home economy and virtual channel, the Bank will continue to plan relevant promotion activities.
 - c. Actively develop cooperation with large-scale retail chain stores to raise the market share of account receivable.

(3) Market Analysis

- A. Areas of Business Operation

As of the end of March 2012, the Bank has 87 domestic branches of which 44 branches in Greater Taipei area, 18 branches in Taoyuan and Hsin-Chu area, 10 branches in Taichung and Changhua area, 7 branches in Chiayi and Tainan area and 8 branches in Kaohsiung and Pingtung area. Additionally, there is an offshore Banking branch, and two Representative Offices in Vietnam and Hong Kong respectively.
- B. Analysis of Market's future Supply-Demand Status and Growth.

Look into the prospect of 2012, it is expected that the economy at home and abroad will continue to be affected by the financial problems in European countries and the United States as well as Mainland China's weakening economic growth momentum. However, the government is actively developing and adopting various measures to boost economy and stimulate private investment, the domestic economy should be able to have a moderate growth. On the development of domestic banking business, Corporate banking business is expected to grow given the government's

continuous efforts in promoting banks financing to small and medium enterprises and syndicated loan. These two types of loans will become the main business targets of large banks. On consumption loan business, home mortgage loans will have very little room for growth under the impact of the government's policy to battle real estate speculation. Banks will turn to other consumption loans and actively expand their market; Wealth management business will be continuously promoted, but the growth power will be weakened due to the frequent and sever changes in international economic situations and investment environment. Overall, it is expected that the domestic banking business will show a slowdown trend.

- C. Competitive Niches and Advantages and Disadvantages Relating to Development Prospects and Responsive Measures
- a、 Advantages
 - I. After signing Economic Cooperation Framework Agreement (ECFA) with Mainland China, the domestic banks are expected to increase their bases in Mainland China and to expand their scope of business operation and enhance their services to Taiwanese businesses operating in China and develop business opportunities.
 - II. Once cross-strait financial regulations are gradually deregulated, the Letter of Credit issued by Mainland Chinese banks can be used as collateral, OBUs and overseas branches are allowed to perform RMB business, it would be beneficial for banks to develop new business.
 - b、 Disadvantages
 - I. For global economy in 2011, major countries' finances were dragged on by national debt problems, the consumption demand impacted by high unemployment rates; economic growth slowdown. These all influenced Taiwan's foreign trade performance, and made adverse impacts to the investments and loan demands.
 - II. Mainland Chinese banks are joining the domestic markets as well after the signing of the cross-strait Economic Cooperation Framework Agreement (ECFA), the competition and operation pressures between banks will also be increased.
 - c、 Responsive Measures
 - I. In response to the implementation of New Basel Capital Accord and control of bank risks, the Bank has built control system which could reasonably evaluate credit risk, interest rates risk, market risk and operation risk to increase the Bank's asset quality.
 - II. Continue to conduct Small and Medium Enterprise (SME) lending business and expand the market share of higher interest spread products.
Reduce costs for housing and other unsecured personal consumer loans through simplification and standardization of operating procedure.
Designate customer with good credit to lower non-performing loans.
Strengthen the cross selling strategy with related enterprises.
Maintain the balance between quality and quantity, and sustain a stable growth of profit.
 - III. Train and grow staff with professional financial knowledge and

marketing capability.

Design novel financial products to meet with the diversified businesses and customers' needs.

- IV. Continue to pursuit of reorganization and operation centralization to develop integrated marketing efficiency and enhance channel values to become a well-rounded high-quality financial institution.

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

- A. New financial instruments and the size of new business department(s) introduced during the past two years and the profit/loss status
- a. Corporate Banking business continues to promote financial products such as good-quality stock financing loans, account receivable purchase and subsequent advance payment loans, convenient loans to SMEs, easy discounted notes, corporate banking foreclosure real estate loans to offer corporate customers multiple loan choices.
 - b. Launch a number of NT dollar/Foreign Currency deposit products, such as "Excellent Interest Demand Savings Deposit", "Excellent Interest Term Deposit", "Excellent Interest Term Deposit for US and Australian dollars" and "Good Interest Link Part Two", and launch the "Preferential deposit project for civil servants and teachers".
 - c. Consumer banking business also launched a "Micro-credit loan preferential program for civil servants and teachers" to grab the vast civil servant and teacher market. In addition, housing mortgage business does not launch any new financial product due to the government's "battling real estate speculation policy".
 - d. Wealth Management Business
In 2011, in coordination with the business cycle and market trend, the bank actively assisted customers to adjust their asset allocation and introduced defense products with higher profitability for customers' choices. As at December 31, 2011, the Bank had a total of 55,107 wealth management clients and total assets under management aggregated NT\$108.4 billion, representing an increase of 23% and 26% against 2010, respectively.
 - e. In response to market trends, launch the credit card A/R business, automatic teller machine business, cash advances and balance inquiring business of China Union Pay card to increase relevant fee revenue.
 - f. Fortune Passbook business
For the purpose of managing the children's financial planning market, the Bank launched the "Fortune Passbook" for children under fifteen years of age. It integrates five major financial management services including TWD depositing, foreign-current depositing, securities, funds and insurance claims trust and use "Savings Bring Simple Happiness" as the product's major appeal and it offers preferential items such as customer preferential interest rates for NT dollar saving accounts (applicable to the announced interest rates for the Bank's salary transfer customers), and special rates for securities and fund subscription orders placed through the Bank, preferential rates for arts activities and educational promotion program in wealth management for kids. As at December 31, 2011, NT dollar deposits of the Fortune Passbook holders amounted to NT\$1,699,310,000, representing a 47% growth rate comparing to NT\$1,158,000,000 as at December 31, 2010, it is

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obvious that the children's wealth management market is on the growing trend.

- g. **Promotion of Automated Service and Internet Banking**
The bank has installed ATMs and self-service banks along the Kaohsiung MRT network and Carrefour stores. Starting from January 2012, it has formed a strategic alliance with and installed ATMs in Hi-Life Convenience Store to offer customers more convenient services. In addition, as a result of continual expansion of customer groups in personal internet banking, the numbers of applicants and first-time login have grew about 15% compared with those of 2010. We have also added in our internet banking functions for terminating NT dollar and foreign currency comprehensive or time deposit accounts, for inquiring not-yet listed billed credit card items and credit card bonus points, to give customers more flexible, convenient and real-time account inquiry services.
In 2011, the Bank continues to promote personal internet banking, with preferential services such as "e-Banking Canteen" and "Delicious Food Discount" projects to further cement relations with customers.
- h. **New Business Departments Established in the Most Recent Two Years:**
- I. The Bank merged with Union Bills Finance Corp. on August 16, 2010 and established Bills Finance Department to be qualified as a "Commercial Paper Certification/Underwriting Agent" to offer certification and underwriting services in the primary money market, and set up bill finance centers in Taipei, Taichung, and Kaohsiung. Their main business scales and profit/loss conditions are shown in the following table:

Unit: NT Million Dollars

| Year Item | 2011 | 2010 | Increase/ Decrease | Growth Rate |
|---|---------|--------|-----------------------|-------------|
| Volume of Commercial Paper Certification and Underwriting | 221,085 | 544,94 | 166,591 | 306% |
| Income from Certification and Underwriting Business | 34 | 9 | 25 | 297% |
| Balance of Commercial Paper Guarantee | 3,588 | 3,046 | 542 | 18% |
| Income from Guarantee Business | 20 | 5 | 15 | 302% |

- II. The Risk Management Section originally operating under the Business Planning and Administration Dept. has been renamed "Risk Management. Dept." since May 2012. In order to upgrade the rank of the Bank's risk management unit within the organization structure and to enhance the Bank's risk management capabilities. It is aimed to manage the Bank's credit risks, market risks and operational risks.
- III. In response to the termination of vehicle loan business outsourcing, the Bank has set up Vehicle Loan Department on April 1, 2011, which is charged with missions of marketing,

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promoting and managing the vehicle loan operation. Its business scale and profit/loss condition are listed in the following table:

Unit: NT Million Dollars

| Item \ Year | 2011 | 2010 | Increase/decrease | Growth Rate |
|--|-------|-------|-------------------|-------------|
| Average Balance of Vehicle Loan Business | 8,223 | 6,554 | 1,669 | 25% |
| Vehicle Loan Business Profit/Loss | 243 | 229 | 14 | 6% |

B. R&D Expenditure and achievement for the Last Two Years and a brief description of its Future Plan

a. R&D Expenditure and Results

Unit: NT Thousand Dollars

| Item \ Year | 2011 | 2010 |
|-----------------|-------|-------|
| R&D Expenditure | 2,688 | 1,685 |

- I. E-Banking mobile stock quote and trading functions by smartphones were unveiled in 2010. In July the same year, the Bank launched mobile stock quote services through iPhone, Android, Windows Mobile, and Java mobile platforms.
- II. In 2011, the e-Banking emphasized on mobile trading service by smartphone and officially launched the two mainstream platforms, i.e. iPhone and Android, for mobile trading service.

b. Future R&D plan

- I. Build online Loan Management System to streamline the credit granting process and enhance operation efficiency.
- II. In order to reduce loan credit risk, the Bank will build an internal rating system to comply with the new Basel II Credit Risk framework.
- III. In order to reduce operation costs and improve service quality, the Bank will establish electronic billing system to provide electronic statement services for deposits and trust funds.
- IV. Build a control mechanism for the transactions between the Bank and foreign high-profile political figures (PEPs) to strengthen the prevention of money laundering and reduce operation risk.
- V. The development of electronic banking will focus on intelligent mobile banking and utilizes the characteristics of smartphones, portable, convenient, and multi-tasking, to plan new mobile banking services, and construct a brand new customer service platform.

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

- A. Short-term Business Development Plan: Please refer to “Chapter (2) 2012 Business Plan”.
- B. Long-term Business Development Plan: Please refer to page 3 “4. External Factors and Future Development Strategies of I. Letter to Shareholders”

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2. Employee Analysis

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

| Year | | End of 2010 | End of 2011 | Mar31, 2012 |
|---|----------------------------|-------------|-------------|-------------|
| Number of Employees | Permanent | 2,975 | 3,111 | 3,084 |
| | Temporary | 0 | 0 | 0 |
| | Other | 0 | 0 | 0 |
| | Total | 2,975 | 3,111 | 3,084 |
| Average age | | 34.51 | 35.70 | 35.94 |
| Average year of service | | 6.96 | 7.39 | 7.63 |
| Education | Doctorate | 0 | 0 | 0 |
| | Master | 5.85 | 6.53 | 6.29 |
| | University (College) | 85.85 | 84.73 | 84.96 |
| | Senior High School | 8.17 | 8.55 | 8.56 |
| | Junior High School & Under | 0.13 | 0.19 | 0.19 |
| Type of professional certification held by employees | | End of 2010 | End of 2011 | Mar31, 2012 |
| Basic Proficiency Test for International Banking Personnel | | 241 | 271 | 275 |
| Proficiency Test on Foreign Exchange Trading | | 11 | 14 | 14 |
| Proficiency Test for Trust Operations Personnel | | 1,755 | 1,942 | 1,975 |
| Subject Test - Laws and Regulations on Trust Businesses | | 11 | 10 | 10 |
| Qualification exam for "General knowledge of Financial Markets and professional code of Ethics" | | 1,906 | 2,085 | 2,096 |
| Financial Risk Manager (FRM) | | 3 | 3 | 3 |
| Master Financial Professional | | 0 | 0 | 0 |
| Certified Financial Consultant for Small and Medium Enterprise | | 1 | 3 | 3 |
| Class B Accounts Clerk | | 7 | 7 | 7 |
| Class C Accounts Clerk | | 120 | 119 | 119 |
| Basic Proficiency Test for Bank Lending Personnel | | 365 | 393 | 393 |
| Advanced Proficiency Test for Bank Lending Personnel | | 32 | 31 | 31 |
| Proficiency Test for Financial Planning Personnel | | 384 | 398 | 398 |
| Life insurance salesperson | | 2,055 | 2,239 | 2,245 |
| Investment-oriented insurance salesperson | | 1,076 | 1,158 | 1,161 |
| Fundamental Test of Investment-oriented insurance salesperson and financial market | | 159 | 178 | 178 |
| Property Insurance Salesperson Registration Certificate | | 836 | 958 | 958 |
| Insurance agent | | 1 | 1 | 1 |
| Insurance broker | | 1 | 1 | 1 |
| Futures specialist | | 300 | 315 | 315 |
| Bill finance specialist | | 63 | 69 | 69 |
| Labor safety and health specialists (Class B certificate for labor safety and hygiene) | | 5 | 5 | 5 |
| Class A Manager of Labor Safety & Health Affairs | | 53 | 51 | 51 |
| Class B Manager of Labor Safety & Health Affairs | | 55 | 74 | 74 |
| Class C Manager of Labor Safety & Health Affairs | | 7 | 9 | 9 |
| Fire Fighting Administrator | | 112 | 114 | 114 |
| First Aid Specialist | | 114 | 111 | 111 |
| Bond Specialist | | 18 | 23 | 23 |
| Basic Proficiency Test on Internal Controls | | 1,724 | 1,759 | 1,760 |
| Certified Internal Auditor | | 3 | 3 | 3 |
| Securities specialist | | 234 | 278 | 279 |
| Senior securities specialist | | 189 | 232 | 232 |
| Securities investment trust and consulting professionals | | 144 | 177 | 177 |
| Securities investment Analyst | | 2 | 4 | 4 |
| Specialist of "Margin and Stock Loans by Securities Firms" | | 40 | 42 | 42 |
| Qualification exam for securities investment trust and consulting regulations (including professional ethics rules) | | 25 | 24 | 24 |

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| Year | End of 2010 | End of 2011 | Mar31, 2012 |
|--|-------------|-------------|-------------|
| For taking “Investment trust & consulting regulations(including self-disciplinary rules)” only | 530 | 593 | 596 |
| For taking “Securities laws & regulations” only | 4 | 11 | 11 |
| Land administration (registration) agents | 5 | 5 | 5 |
| Real estate appraiser | 1 | 1 | 1 |
| Assistant real estate Brokers | 10 | 12 | 12 |
| Proficiency Test for Bank Collateral Appraisal Personnel | 16 | 17 | 17 |
| Structured Product Sales Personnel Qualification Test | - | 138 | 146 |
| Qualification Test for Life Insurance Salesperson Selling Non-Investment Type of Insurance Product in Foreign Currency | - | 877 | 880 |

Note: Not include 2 employees of offshore units.

(2) Advanced 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 employees to attend the various external training programs. The bank also requests, where possible, the relevant staff at all levels to acquire the required certification. The bank aims to upgrade the capabilities in product innovation and improve the operational procedures.

| Item | Internal program | External program | Total |
|--|------------------|------------------|--------|
| Number of employees trained | 7,636 | 1,534 | 9,170 |
| Total training expense (in NT\$ thousand) | 14,006 | 2,279 | 16,285 |

(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 anti-robbery rehearsals each year.
- D. Physical and Mental Health : The Bank has set in place the “Procedures of Safety & Health Work”and “Automatic examination Plan”. The Bank also performs tests on work environment and conducts relevant employee safety and first aid training programs in accordance with the rules and regulations.

3. Corporate Responsibility and Ethical Conduct

- (1) Proud Sponsor of the Union Cultural Foundation:

In an effort to motivate the continuation of local art, the Bank established the “Union Cultural and Educational Foundation” in 1998. We have a long history of sponsoring the Union Art Competition (including “Union Emerging Artists Award” and “Union Fine Art Impression Award”) and art exhibition tours. In 2011, the Bank sponsored the foundation to host the “2011 Union Art Competition” and “2011 Union Exhibition Tours”, which aimed at encouraging local artists to uphold their creative spirit and realize their dreams. The Foundation also funded the “Taiwan Art Contribution Award” to showcase the work of prominent old-time artists. Mr. Lin Ko-Kung was the old-time artist recommended by the panel in 2011.

For fourteen years, the Bank has worked earnestly to provide winners of the Union Art Competition opportunities to showcase their work such as inviting them to give a lecture or be the judge in certain art and cultural events, to offer them opportunities to demonstrate their creative talent. The Bank also constructed the “Union Art Gallery” at the Formosa Boulevard Station of the Kaohsiung Metro for civilians to view and enjoy the artwork. We hope to achieve our aim of supporting and nurturing local art creators and continuing Taiwan’s art in the long run.
- (2) Active Involvement in Community Events:
 - A. Community development: The Bank has assumed the responsibility to support the care and maintenance of the “Mingyou No. 2 Park” since 1997. The park provides local residents an ideal place for leisure and children a place to play. The park received outstanding rating among other Taipei metropolitan parks since 2000. The Bank received the silver diamond award of the “Annual Award for Perpetual Park Management” in 2005 and the excellence award for five consecutive years from 2006 through 2010.
 - B. School Development: Starting from November of 2011, the Bank took the responsibility of preserving the flower bed just in front of Luzhou Elementary School by outsourcing a service provider to take care of the maintenance.
- (3) Promote Art and Culture Activities in association with Social Welfare
The Bank has put much effort into the promotion of arts and culture for years:

In March 2011, the Bank hosted a “Painting Mommy. Artistic Children Deliver Their Love” drawing competition on the public welfare for the Child. More than 5,000 pieces of works were collected. The Bank donated NT\$20 for each work to “Yunlin County Government Elementary and Junior High School Student Relief Grants” with a total donation of NT\$105,040.

In May, 2011 the Bank held a yearly fair “Happiness Hundred Percent Love Everywhere” on the Mother’s Day. Six social welfare groups such as “The Garden of Hope Foundation” and “Eden Social Welfare Foundation” were invited to the fair to have their charity sale booths and launch fund-raising activities aiming at arousing people to attach more importance to public welfare groups. Fifteen percent of the total revenue from the Fair was donated to Union Cultural Foundation to support its continuous efforts devoting cultural and



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educational activities as well as cultivating artistic talents.

In July 2011, a “Little Financier –Wealth Management Experience Camp” event was held. On the score of helping impoverished students, the registration fee plus other income totalling NT\$53,600 was all contributed to “World Vision Taiwan” for its Aboriginal Child Sponsorship program dubbed “2011 Aborigines Hope”.

In December 2011, the bank hosted a “You Write a Happiness Card and Union Bank donates NT\$10 for social welfare”, campaign generating a sum of NT\$62,100 which was again donated to “World Vision Taiwan” so as to encourage people to note and assist public welfare affairs.

- (4) **Cherish Indigenous Agriculture**
Following the “Union Love to Share-Fortune Banana for You” activities to help tide banana farmers over their serious poor sales in 2010, the Bank coordinated with the promotional events of the Council of Agriculture and launched another “Union Love to Share; Happiness Papaya For You” activities, because this year(2011) the local papaya market also encountered an over-production situation. The bank decided to purchase 16 tons of papaya and shared them with bank’s customers as a give-away, hoping other enterprises will follow suit and appreciate farmers’ hard-working and do what we can to help. The bank also calls for all to protect and cherish Taiwan Agriculture.
- (5) The bank organized a fund-raising activity named “Adopt a warrior bear and give eternal guardianship to women and children who are victim of domestic violence (DV)”. This activity provides: counselling service for children who witness violence, advisory services of DV, other legal advisory, emergent short-term sanctuary and employment opportunity for DV sufferers. This would assist them to recover and gain strength to restart their lives.
- (6) In November 2011, the bank, in cooperation with Eden Social Welfare Foundation, organized an “Everybody Dedicates His Love. Good-Fortune Be Always With You” donation activity to help those “slow flying angel families” with delayed developing and mentally or physically disabled children, and garnered a total amount of NT\$3,257,295. The effort was to call for more people’s concern about the delayed developing children to grasp the golden age of 0-6 years old for early healing. For those sick children in remote areas with inadequate resources, they are able to grow up healthily, have the chances to catch up and a ray of hope in the future through the donation of Union Bank card holders.
- (7) In order to assist underprivileged families to get away from poverty and children from low-income families to go to school or get a job, the Bank and Kaohsiung County Government has jointly accomplished a “Dream of Kaohsiung” project which helps young students in Kaohsiung County to open savings deposit accounts. In addition, the bank has provided scholarship every year and entrusted Kaohsiung County Government to operate them.
- (8) To encourage young students and the populace to go outdoor and foster physical exercises and good hobbies, The Bank and Kaohsiung Rapid Transit

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Corporation jointly organized “KRTC Cup Basketball Carnival” and “KRTC Cup Street Dance Contest” to promote a healthy LOHAS living style.

- (9) To provide more convenient and secure financial services to the visually impaired and to respond to the government policy of caring for the disadvantaged, the Bank has installed a “barrier-free voice teller machine for visually impaired” at its Linya Branch.

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 back-end 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, 100 Mbps optical fiber for connecting Neihu and Minsheng computer rooms. Branches use CISCO 2600/2800 routers and connected to the Neihu computer room via an exclusive line, with ISDN as the backup connection.
 - D. The Bank has signed maintenance contracts with the vendors for above hardwares and softwares.
- (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. Upgrading plan for the automation system ATMP upgrade.
 - 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 of call center.
 - J. Construction to match with the Central Bank’s fund transfer system.
 - K. Upgrading of FXML certification.
 - L. Hardware and software upgrading of database storage.
 - M. Planning of network and batch transfer for foreign currency deposit.
 - N. Project of mobile banking system.
- (3) Emergency Backup and Security Protection Measures
- A. Construct on-site backup device at Neihu computer room with Minsheng computer room serving as the remote backup support.



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- B. Off-site media backup and storage of sensitive documents, separately at Neihu and Minsheng computer rooms.
- C. Installation of 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 horse or spy programs, updating virus-code and system patch to ensure internet and data transmission security.
- E. Enact the “Plan for Union Bank of Taiwan IT Security Contingency” and conduct annual rehearsals of on-site and remote backup and fire safety in accordance with the “Plan for Union Bank of Taiwan IT Disaster Contingency”.

5. Labor Relations

- (1) Execution status of employee welfare and retirement policy, labor agreements and protection of employee welfare:
 - A. Establish the Employee Welfare Committee. Deduct 0.5% of employees’ monthly salaries and appropriate 0.1% of operating revenue and use the fund to administer employee welfare affairs such as Mother’s Day Fair and special allowances for marriage, funeral, birth (including spouse) and major accident.
 - 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 dependents).
 - C. Offer deposits, loans and unsecured consumer loan for staff at special rates.
 - D. The Employee Welfare Committee disburses bonus to employees on major festivals of the Lunar year.
 - 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 and harmonious labor-management relationship.
- (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: Since its inauguration, the Bank has not been involved in a labor dispute that resulted in a loss. We will review the various welfare policies every year for the best interest of our employees.

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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 | None |
| Bankers Blanket Insurance | MSIG Mingtai Insurance Co., Ltd. | Jan. 21, 2012 To Jan. 21, 2013 | Compensation responsibilities for Infidelity of employees; property on premises and in transit; forgery or alteration of check and securities; counterfeited currency; damage to offices and facilities and fault of securities or written documents. | The Bank is required to pay an access to claim the insurance for each accident and the claimable amounts are capped. |
| Outsource Contract | Leebao Security Co., Ltd | Aug. 1, 2011 To Jul. 31, 2012 | Transportation of valuable securities and cash | None |
| Outsource Contract | Taiwan Security Co., Ltd. | Jan. 1, 2012 To Dec 31, 2012 | Transportation of valuable securities and cash | None |
| Outsource Contract | An Fong Enterprise Co., Ltd. | Oct. 1, 2011 To Oct. 1, 2012 | ATM banknote replenishment and troubleshooting operation | None |
| Outsource Contract | Lian-An Service Co., Ltd. | Jan. 1, 2012 To Dec 31, 2012 | ATM banknote replenishment and troubleshooting operation | None |
| Outsource Contract | Chung Hwa Express Corp. | Jul. 1, 2011 To Jun. 30, 2012 | Check clearing house delivery operation | None |
| Outsource Contract | Yuen Foong Paper Co., Ltd. | Oct. 1, 2011 To Sep .30, 2012 | Printing and Mailing Operation for various types of billing statement and integrated billing statement | None |

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| Nature of Contract | Concerned Parties | Contract Period | Content | Restriction on Contract |
|--|-------------------------|-------------------------------|---|-------------------------|
| Outsource Contract | Chunghwa Post Co., Ltd. | Aug. 1, 2010 To Jul. 31, 2012 | Credit Card Statement packaging and mailing operation | None |
| Bank Premise Construction Contract with contracted amount above NT\$ 30 million dollars (included) | None | | | |

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

8. Donation to Political Parties, Stakeholders and Public Welfare Groups:

- (1) In an effort to motivate the continuation of local art, the Bank established the “Union Cultural Foundation” in 1998. We have a long history of sponsoring the Union Art Competition (including “Union Emerging Artists” and “Union Art Impression Award” and art exhibition tours and acquiring of distinguished award-winning artwork. Our total 2011 sponsorship for these events amounted to NT\$3,352,089.
- (2) To jointly promote local music and art activities and stimulate cultural ecological development starting from 2011, the Bank had regularly sponsored “Kaohsiung Philharmonic Cultural & Arts Foundation”, and held various types of concert every year. Our sponsorship for these events for 2011 amounted to NT\$600,000.
- (3) To promote LOHAS (Lifestyle of Health and Sustainability) living, the bank sponsored in activities such as “Kaohsiung MRT Cup Basketball Carnival”, “Kaohsiung MRT-Happiness everywhere”, “Kaohsiung MRT Cup Street Dance Contest”, “Kaohsiung MRT Youth Ambassadors” and “ Perfect in every way concert”. Our sponsorship for these events for 2011 amounted to NT\$500,000.

Financial Highlights

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

(1) Condensed Balance Sheets

In NT\$ thousand

| item | Year | Financial Data for the Past Five Years (Note) | | | | | Mar 31,2012 |
|---|---------------------|---|-------------|-------------|-------------|-------------|-------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Cash and cash equivalent, due from the Central Bank and other banks | | 28,052,923 | 49,126,993 | 62,909,538 | 70,268,555 | 110,172,361 | 102,253,001 |
| Financial assets at fair value through profit or loss | | 7,746,462 | 7,675,019 | 400,971 | 3,017,823 | 8,167,543 | 9,215,911 |
| Securities purchased under resell agreements | | 5,863,732 | 6,555,286 | 289,953 | 39,500 | 251,626 | 6,698,441 |
| Available-for-sale financial assets | | 3,439,568 | 6,279,718 | 7,134,236 | 6,230,049 | 7,516,896 | 7,465,924 |
| Discounts & loans | | 205,523,586 | 180,012,904 | 169,959,853 | 189,657,099 | 190,679,993 | 191,778,463 |
| Receivables | | 28,967,953 | 23,513,603 | 20,076,909 | 16,808,438 | 15,086,661 | 13,788,988 |
| Held-to-maturity investment | | 48,559,541 | 36,318,287 | 9,724,545 | 3,272,634 | 1,313,015 | 1,088,022 |
| Equity investments- Equity method | | 2,946,398 | 2,479,374 | 2,209,409 | 1,050,576 | 1,114,794 | 1,144,616 |
| Property & equipment | | 8,618,058 | 8,511,227 | 8,274,634 | 8,089,483 | 7,956,701 | 7,908,846 |
| Intangibles | | 2,574,217 | 2,507,396 | 2,369,638 | 2,374,485 | 2,119,709 | 2,119,709 |
| Other financial assets | | 4,757,711 | 24,537,416 | 55,850,117 | 57,137,087 | 49,631,216 | 51,446,374 |
| Other assets | | 11,478,015 | 10,173,726 | 7,930,237 | 5,127,948 | 3,714,937 | 3,674,235 |
| Total Assets | | 358,528,164 | 357,690,949 | 347,130,040 | 363,073,677 | 397,725,452 | 398,582,530 |
| Call loans and due to banks | | 27,086,819 | 20,074,203 | 18,088,773 | 10,287,346 | 7,007,256 | 7,075,941 |
| Deposits and remittance | | 263,954,435 | 277,751,334 | 271,124,191 | 289,605,854 | 322,756,910 | 321,993,675 |
| Financial liabilities at fair value through profit or loss | | 61,326 | 212,904 | 81,243 | 51,584 | 33,852 | 33,710 |
| Securities sold under repurchase agreements | | 32,865,259 | 27,843,332 | 26,415,907 | 33,596,926 | 34,522,173 | 33,785,791 |
| Payables | | 4,776,100 | 4,981,318 | 3,276,818 | 3,838,896 | 5,847,302 | 5,747,532 |
| Bank debentures | | 10,526,400 | 9,044,300 | 9,900,000 | 4,890,000 | 4,890,000 | 6,390,000 |
| Liability component of preferred stocks | | 327,200 | - | - | - | - | - |
| Other financial liabilities | | 254,580 | 220,896 | 242,363 | 318,027 | 337,852 | 352,914 |
| Other liabilities | | 578,133 | 473,441 | 470,515 | 390,574 | 365,444 | 388,212 |
| Total Liabilities | Before distribution | 340,430,252 | 340,601,728 | 329,599,810 | 342,979,207 | 375,760,789 | 375,767,775 |
| | After distribution | 340,430,252 | 340,601,728 | 329,599,810 | 342,979,207 | 375,760,789 | 375,767,775 |
| Capital stock | | 22,861,044 | 23,188,244 | 23,188,244 | 19,484,996 | 19,484,996 | 19,484,996 |
| Capital surplus | | 33,811 | 33,811 | 33,811 | 33,811 | 33,811 | 33,811 |
| Retained earnings | Before distribution | (4,697,572) | (5,907,536) | (5,651,650) | 1,176,594 | 3,054,066 | 3,749,340 |
| | After distribution | (4,697,572) | (5,907,536) | (5,651,650) | 1,176,594 | 3,054,066 | 3,749,340 |
| Unrealized loss on financial assets | | (124,678) | (244,849) | 17,065 | 155,124 | (167,173) | 181,896 |

Financial Highlights

| Item | Year | Financial Data for the Past Five Years (Note) | | | | | Mar 31, 2012 |
|------------------------------------|---------------------|---|--------------|--------------|--------------|------------|--------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Cumulative translation adjustments | | 39,243 | 49,843 | 31,662 | (640,778) | (263,522) | (457,773) |
| Others | | (13,936) | (30,292) | (88,902) | (115,277) | (177,515) | (177,515) |
| Total Shareholders' Equity | Before distribution | \$18,097,912 | \$17,089,221 | \$17,530,230 | \$20,094,470 | 21,964,663 | 22,814,755 |
| | After Distribution | \$18,097,912 | \$17,089,221 | \$17,530,230 | \$20,094,470 | 21,964,663 | 22,814,755 |

Note: All financial data have been audited by independent auditors, exception of the first quarterly financial data for 2012.

(2) Condensed Income Statements

In NT\$ thousand

| Item | Year | Financial Data for the Past Five Years (Note) | | | | | Mar 31, 2012 |
|--|------|---|-------------|-------------|-------------|-----------|--------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Net interest | | \$7,256,304 | \$7,293,692 | \$5,842,861 | \$6,650,288 | 6,662,353 | 1,495,125 |
| Net revenues other than interest | | 682,513 | (1,028,430) | 827,096 | 250,278 | 644,539 | 236,033 |
| Bad debts | | 8,404,095 | 2,692,090 | 1,359,427 | 409,502 | 121,500 | (274,340) |
| Operating expenses | | 5,993,462 | 5,362,815 | 4,635,022 | 4,658,552 | 4,964,012 | 1,203,984 |
| Income (loss) before income tax | | (6,458,740) | (1,789,643) | 675,508 | 1,832,512 | 2,221,380 | 801,514 |
| Income (loss) before cumulative effect of accounting changes | | (4,942,358) | (1,209,964) | 255,886 | 1,410,425 | 1,826,615 | 695,274 |
| Profit (loss) of discontinued operations (Net of tax) | | - | - | - | - | - | - |
| Extraordinary profit (loss)(Net of tax) | | - | - | - | - | - | - |
| Cumulative effect of accounting changes (Net of tax) | | - | - | - | - | - | - |
| Net Income (loss) | | (4,942,358) | (1,209,964) | 255,886 | 1,410,425 | 1,826,615 | 695,274 |
| Earnings (loss) per share (\$) | | (\$2.65) | (\$0.63) | \$0.18 | \$0.92 | \$1.00 | \$0.39 |

Note: All financial data have been audited by independent auditors, exception of the first quarterly financial data for 2012.

(3) Name of CPAs and the Auditors' Opinion

| Year | CPA Firm | Independent Auditors | Audit Opinion |
|------|-------------------|---------------------------|-----------------------------------|
| 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} |
| 2010 | Deloitte & Touche | Terence Huang / Ray Chang | Qualified opinion ^{note} |
| 2011 | 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.

Financial Highlights

2. Financial Analysis and Capital Adequacy Ratio

(1) Financial Analysis & Key Performance Index (KPI)

In NT\$ thousand

| Year | | Financial Data for the Past Five Years (Note1) | | | | | Mar 31,2012 |
|--|--|--|-----------|-----------|-----------|-----------|-------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Item | | | | | | | |
| Operating capability | Loans to deposits ratio (%) | 78.7 | 65.81 | 63.29 | 66.03 | 59.70 | 60.16 |
| | Non-performing loan ratio (%) | 2.39 | 2.69 | 2.35 | 0.74 | 0.36 | 0.34 |
| | Interest expense to average total deposits (%) | 1.89 | 2.77 | 1.36 | 0.90 | 0.94 | 1.04 |
| | Interest revenue to average total loans (%) | 3.85 | 7.76 | 5.54 | 5.13 | 5.00 | 4.84 |
| | Total asset turnover (times) | 0.0221 | 0.0175 | 0.0192 | 0.0190 | 0.0184 | 0.0174 |
| | Average net income per employee | 2,343 | 2,034 | 2,294 | 2,320 | 2,349 | 2,245 |
| | Average earnings per employee | (1,459) | (393) | 88 | 474 | 587 | 902 |
| Profitability | Return on tier 1 capital (%) | (54.12) | (19.22) | 6.72 | 14.68 | 15.28 | NA |
| | Return on assets (%) | (1.37) | (0.34) | 0.07 | 0.40 | 0.48 | 0.17 |
| | Return on equity (%) | (26.87) | (6.88) | 1.48 | 7.50 | 8.69 | 3.11 |
| | Net income ratio (%) | (62.26) | (19.31) | 3.84 | 20.44 | 25.00 | 40.16 |
| | EPS (NT\$) | (2.65) | (0.63) | 0.18 | 0.92 | 1.00 | 0.39 |
| Financial Structure | Total liabilities to total assets ratio (%) | 94.95 | 95.22 | 94.95 | 94.47 | 94.48 | 94.28 |
| | Fixed assets to shareholders' equity ratio (%) | 47.62 | 49.80 | 47.20 | 40.26 | 36.23 | 34.67 |
| Growth rate | Asset growth ratio (%) | (0.79) | (0.23) | (2.95) | 4.59 | 9.54 | 0.22 |
| | Profitability growth ratio (%) | (1,964.93) | 72.29 | 137.75 | 171.28 | 21.22 | 44.33 |
| Cash Flow | Cash flow ratio (%) | 2.16 | 9.20 | 26.39 | 12.16 | 9.50 | 0.41 |
| | Cash flow adequacy ratio (%) | 12.49 | 309.40 | 2,207.02 | 2,664.04 | 4,162.73 | 6,330.57 |
| | Cash flow reinvestment ratio (%) | 17.19 | 117.33 | 301.60 | 54.14 | 12.46 | - |
| Liquid Reserve Ratio (%) | | 10.66 | 10.66 | 23.81 | 21.13 | 29.97 | 31.31 |
| Balance of Secured Loans to Related Parties | | 6,178,671 | 5,188,129 | 5,210,915 | 3,623,169 | 3,022,980 | 3,624,708 |
| Total Secured Loans to Related Parties as a % of Total Loans | | 2.87 | 2.73 | 2.94 | 1.81 | 1.49 | 1.77 |
| Operation Scale | Market share of asset (%) | 1.38 | 1.32 | 1.20 | 1.18 | 1.24 | 1.22 |
| | Market share of net worth (%) | 1.02 | 0.95 | 0.91 | 0.98 | 1.03 | 1.02 |
| | Market share of deposits (%) | 1.43 | 1.39 | 1.25 | 1.25 | 1.33 | 1.30 |
| | Market share of loans (%) | 1.27 | 1.09 | 1.01 | 1.04 | 1.00 | 0.99 |

Note1: All financial data for the most recent five years was audited by CPA with the exception of the first quarterly financial data for 2012.

Note2: Information on total assets, net worth, deposits and loans of all financial institutions was not disclosed as at the annual report's publication date. The field was left blank.

Financial Highlights

Note 3: Financial ratios are computed as follows:

I. Operating Capability

- i. Loans to deposits ratio= Total loans/ total deposits (excluding redeposits of Chunghwa Post Co.)
- ii. Non-performing loan ratio= Total NPL/ total loans
- iii. Interest expense to average total deposits= Total interest expense/ average total deposits
- iv. Interest revenue to average total loans= Total interest revenue/ average total loans
- v. Total asset turnover= Net operating revenue/ total assets
- vi. Average net income per employee= Net operating revenue/ total number of employees.
- vii. Average earnings per employee= Net income after tax/ total number of employees.

II. Profitability

- i. Return on tier 1 capital= Net income before tax/ average total tier 1 capital.
- ii. Return on assets= Net income after tax/ average total assets.
- iii. Return on equity= Net income after tax/ average shareholders' equity.
- iv. Net Income ratio= Net income after tax/ net income.
- v. Earnings per share= (Net Income after tax - preferred stock dividend)/weighted average outstanding shares

III. Financial structure

- i. Total liabilities to total assets ratio=Total liabilities/total assets.
- ii. Fixed assets to net worth ratio=Fixed assets, net/shareholders' equity, net.

IV. Growth rate

- i. 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.
- ii. 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.

V. Cash flow

- i. 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).
- ii. Cash flow adequacy ratio=Net cash from operating activities for the past five years/(capital expenditure + cash dividends) incurred for the past 5 years.
- iii. Cash flow reinvestment ratio=Net cash from operating activities/net cash from investing activities.

VI. Liquid reserve ratio=Liquid assets statutorily required/reserve for liabilities.

VII. Operation scale

- i. Market share of assets=Total assets/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.
- ii. Market share of net worth=Net worth/total net worth of all authorized deposit-taking and loan-underwriting financial institutions*.
- iii. Market share of deposits=Total deposits/total deposits of all authorized deposit-taking and loan-underwriting financial institutions*.
- iv. Market share of loans=Total loans/total loans 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 Adquency

(Non-Consolidated)

In NT\$ thousand

| Item | Year(Note 1) | Financial Data for the Past Five Years (Note2) | | | | | Mar 31,2012 | |
|--------------------|---------------|---|------------|------------|------------|------------|-------------|------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | | |
| Regulatory Capital | Tier1 capital | Common Stock | 19,188,244 | 19,188,244 | 19,188,244 | 16,459,908 | 16,459,908 | 16,459,908 |
| | | Irredeemable non-cumulative preferred stock | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Non-cumulative subordinate debentures with no maturity date | 0 | 0 | 0 | 0 | 0 | 0 |

Financial Highlights

| Item | Year(Note 1) | Financial Data for the Past Five Years (Note 2) | | | | | Mar 31, 2012 | |
|---|---|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | | |
| Tier 1 Capital | Capital collected in advance | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Capital Surplus (excl. fixed asset revaluation increment surplus) | 33,811 | 33,811 | 33,811 | 33,811 | 33,811 | 33,811 | |
| | Legal Reserve | 107,812 | 107,812 | 0 | 0 | 352,978 | 352,978 | |
| | Special Reserve | 240,655 | 240,655 | 0 | 0 | 874,473 | 874,473 | |
| | Cumulative Profit/Loss | -5,046,039 | -6,256,003 | -2,825,825 | 1,176,594 | 1,826,615 | 2,626,741 | |
| | Minority Shareholding | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Other Shareholders' Equity | -72,449 | -334,471 | -116,848 | -801,428 | -1,036,271 | -1,025,556 | |
| | Less: Goodwill | 2,574,217 | 2,507,395 | 2,369,638 | 2,374,485 | 2,119,709 | 2,119,709 | |
| | Unamortized loss on sale of delinquent loans | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Deduction items | 1,940,220 | 1,790,543 | 2,481,671 | 954,735 | 856,919 | 944,872 | |
| | Total Tier 1 Capital | 9,937,596 | 8,682,110 | 11,428,073 | 13,539,665 | 15,534,886 | 16,257,774 | |
| Tier 2 Capital | Irredeemable Cumulative Preferred Stock | 4,000,000 | 4,000,000 | 4,000,000 | 3,025,088 | 3,025,088 | 3,025,088 | |
| | Cumulative subordinate debentures with no maturity date | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Fixed asset revaluation increment surplus | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 45% of unrealized gain on financial assets available for sale | 0 | 49,128 | 34,503 | 90,224 | 192,628 | 239,571 | |
| | Convertible bonds | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Operating reserve and allowance for bad debts | 845,492 | 0 | 0 | 0 | 0 | 0 | |
| | Long-term subordinate debentures | 5,706,667 | 4,040,000 | 3,140,000 | 1,458,000 | 2,880,000 | 4,380,000 | |
| | Redeemable preferred stocks | 0 | 0 | 0 | 0 | 0 | 0 | |
| | The sum of irredeemable non-cumulative preferred stocks and non-cumulative subordinate debentures with no maturity in excess of 15% of total Tier 1 Capital | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Less: Deduction items | 1,940,220 | 1,790,543 | 1,661,979 | 857,384 | 851,875 | 864,245 | |
| | Less: 50% of Cumulative Loss | 0 | 0 | 2,825,825 | 0 | 0 | 0 | |
| Total Tier 2 Capital | 8,611,939 | 6,298,585 | 2,686,699 | 3,715,928 | 5,245,841 | 6,780,415 | | |
| Tier 3 Capital | Short-term subordinate debentures | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Redeemable preferred stock | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Total Tier 3 Capital | 0 | 0 | 0 | 0 | 0 | 0 | |
| Regulatory Capital | | 18,549,535 | 14,980,695 | 14,114,772 | 17,255,593 | 20,780,727 | 23,038,189 | |
| Risk Weighted Assets | Credit risk | Standardized Approach | 180,228,521 | 154,638,398 | 138,505,286 | 154,210,916 | 157,020,298 | 157,101,216 |
| | | Internal Ratings-Based Approach | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Asset Securitization | 7,248,829 | 760,942 | 1,024,060 | 629 | 0 | 0 |
| | Operation risk | Basic Indicator Approach | 15,819,638 | 16,657,182 | 14,901,512 | 14,993,291 | 15,633,843 | 15,633,843 |
| | | Standardized Approach/ Alternative Standardized Approach | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Advanced Measurement Approach | 0 | 0 | 0 | 0 | 0 | 0 |
| | Market Risk | Standardized Approach | 6,356,923 | 5,137,292 | 4,298,058 | 3,225,875 | 5,666,525 | 7,481,586 |
| | | Internal Model Approach | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total Risk-weighted Assets | | 209,653,911 | 177,193,814 | 158,728,916 | 172,430,711 | 178,320,666 | 180,216,645 |
| Capital Adequacy Ratio | | 8.85% | 8.45% | 8.89% | 10.01% | 11.65% | 12.78% | |
| Ratio of tier 1 capital to risk-weighted assets | | 4.74% | 4.90% | 7.20% | 7.85% | 8.71% | 9.02% | |

Financial Highlights

| Item | Year(Note1) | Financial Data for the Past Five Years (Note2) | | | | | Mar 31,2012 |
|---|-------------|--|-------|-------|-------|-------|-------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Ratio of tier 2 capital to risk-weighted assets | | 4.11% | 3.55% | 1.69% | 2.16% | 2.94% | 3.76% |
| Ratio of tier 3 capital to risk-weighted assets | | 0 | 0 | 0 | 0 | 0 | 0 |
| Ratio of common stocks to total assets | | 5.35% | 5.36% | 5.53% | 4.53% | 4.14% | 4.13% |

Note1: All financial data for the most recent five years was audited by CPA with the exception of the first quarterly financial data for 2012.

Note2: The ratios are computed as follows:

- i. Core equity= Tier 1 capital + tier 2 capital + tier 3 capital
- ii. Total risk-weighted assets= Credit risk weighted assets + (operational risk + market risk) capital appropriation* 12.5.
- iii. Capital adequacy ratio= Regulatory capital/Total risk-weighted assets.
- iv. Ratio of tier 1 capital to risk-weighted assets = Tier 1 capital/Total risk-weighted assets.
- v. Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital/Total risk-weighted assets.
- vi. Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital/Total risk-weighted assets.
- vii. Common Stock to Total Assets Ratio= Common Stock/Total Assets.

Note3: Any improvement measure to be taken when the ratio of core equity to risk-weighted assets(as calculated in accordance with article 44 of the Banking Act) is lower than the statutory ratio: Not applicable.

(Consolidated)

Unit: NT\$

| Item | Year (Note1) | Financial Data for the Past Five Years(Note2) | | | | | |
|---|------------------|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Regulatory Capital | Tier1 capital | Common Stock | 25,358,882 | 19,188,244 | 19,188,244 | 16,459,908 | 16,459,908 |
| | | 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 | 0 | 0 | 0 | 0 |
| | | Capital Surplus (excl. fixed asset revaluation increment surplus) | 33,811 | 33,811 | 33,811 | 33,811 | 33,811 |
| | | Legal Reserve | 107,812 | 107,812 | 0 | 0 | 352,978 |
| | | Special Reserve | 240,655 | 240,655 | 0 | 0 | 874,473 |
| | | Cumulative Profit/Loss | -5,046,039 | -6,256,003 | -2,825,825 | 1,176,594 | 1,826,615 |
| | | Minority Shareholding | 0 | 1,616,592 | 1,728,522 | 214,532 | 225,047 |
| | | Other Shareholders' Equity | -173,382 | -334,471 | -116,848 | -801,428 | -1,036,271 |
| | | Less: Goodwill | 2,574,217 | 2,507,396 | 2,369,638 | 2,374,485 | 2,119,709 |
| | | Unamortized loss on sale of delinquent loans | 0 | 0 | 0 | 0 | 0 |
| | | Deduction items | 2,289,832 | 583,936 | 1,755,385 | 508,339 | 364,323 |
| | | Total Tier 1 Capital | 15,657,690 | 11,505,308 | 13,882,881 | 14,200,593 | 16,252,529 |
| | Tier2 capital | Irredeemable Cumulative Preferred Stock | 4,000,000 | 4,000,000 | 4,000,000 | 3,025,088 | 3,025,088 |
| | | 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 | 12,485 | 49,128 | 34,503 | 90,224 | 192,628 |
| | | Convertible bonds | 0 | 0 | 0 | 0 | 0 |
| | | Operating reserve and allowance for bad debts | 878,547 | 0 | 16,353 | 0 | 23,894 |
| Long-term subordinate debentures | | 5,706,667 | 3,843,500 | 3,070,833 | 1,458,000 | 2,880,000 | |
| 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 | | 2,289,832 | 583,936 | 935,693 | 410,987 | 364,323 | |
| Less: 50% of Cumulative Loss | 0 | 0 | 2,825,825 | 0 | 0 | | |
| Total Tier 2 Capital | 8,307,867 | 7,308,692 | 3,360,171 | 4,162,325 | 5,757,287 | | |

Financial Highlights

| Item | | Year (Note1) | Financial Data for the Past Five Years(Note2) | | | | |
|---|-----------------------------------|--|---|-------------|-------------|-------------|-------------|
| | | | 2007 | 2008 | 2009 | 2010 | 2011 |
| Tier3 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 | | | 23,965,557 | 18,814,000 | 17,243,052 | 18,362,918 | 22,009,816 |
| Risk-weighted Assets | Credit risk | Standardized Approach | 194,310,086 | 169,321,710 | 153,104,392 | 161,235,905 | 164,071,544 |
| | | Internal Ratings-Based Approach | 0 | 0 | 0 | 0 | 0 |
| | | Asset Securitization | 7,248,829 | 760,942 | 1,078,855 | 54,476 | 37,186 |
| | Operational risk | Basic Indicator Approach | 16,606,550 | 17,915,629 | 16,297,550 | 16,722,350 | 17,361,014 |
| | | Standardized Approach/ Alternative Standardized Approach | 0 | 0 | 0 | 0 | 0 |
| | | Advanced Measurement Approach | 0 | 0 | 0 | 0 | 0 |
| | Market risk | Standardized Approach | 15,461,962 | 8,577,007 | 5,196,627 | 3,314,250 | 5,790,138 |
| | | Internal Model Approach | 0 | 0 | 0 | 0 | 0 |
| | Total Risk-weighted Assets | | | 233,627,427 | 196,575,288 | 175,677,424 | 181,326,981 |
| Capital Adequacy Ratio | | | 10.26% | 9.57% | 9.82% | 10.13% | 11.75% |
| Ratio of tier 1 capital to risk-weighted assets | | | 6.70% | 5.85% | 7.90% | 7.83% | 8.68% |
| Ratio of tier 2 capital to risk-weighted assets | | | 3.56% | 3.72% | 1.92% | 2.30% | 3.07% |
| Ratio of tier 3 capital to risk-weighted assets | | | 0 | 0 | 0 | 0 | 0 |
| Ratio of common stocks to total assets | | | 5.06% | 5.11% | 5.33% | 4.50% | 4.10% |

Note1: All financial data for the last five years was audited by CPA.

Note2: The ratios are computed as follows:

- I. Regulatory capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
- II. Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation × 12.5.
- III. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
- IV. Tier 1 Capital to Risk Assets Ratio = Tier 1 Capital / Total risk-weighted assets.
- V. Tier 2 Capital to Risk Assets Ratio = Tier 2 Capital / Total risk-weighted assets.
- VI. Tier 3 Capital to Risk Assets Ratio = Tier 3 Capital / Total risk-weighted assets.
- VII. Common Stock to Total Assets Ratio = Common Stock / Total Assets.

Note3: Any improvement measure to be taken if the capital adequacy ratio (as calculated in accordance with article 44 of the Banking Act) is lower than the statutory ratio: Not applicable.

3. Supervisors' Report for the 2011 Financial Statements

Union Bank of Taiwan Co., Ltd.

Supervisors' Report

The Board of Directors of the Bank has prepared and submitted the 2011 Business Report, Financial Statements (Including Balance Sheet, Income Statement, Statement of Shareholders' Equity, Statement of Cash Flows), and proposal for allocating profits, of which, the Financial statements (including consolidated statements of subsidiaries) have been audited by CPA Mr. Ray Chang and Mr. Terence Huang of Deloitte & Touche. The above Business Report, Financial Statements and proposal have been further determined to be correct and accurate by the supervisors. Hence, according to Article 219 of the Company Act, we hereby submit this report.

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 13, 2012

4. **Financial Statements for 2011:** please refer to Page 113 to Page 177

5. **Any 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, if yes, please narrate the impact upon the Bank's financial conditions:** None.

Analysis of the Financial Status and Operating Results & Risk Management

1. Financial Status

In NT\$ thousand

| Item | Year | | Difference | |
|---|---------------|---------------|---------------|-------|
| | Dec. 31, 2011 | Dec. 31, 2010 | Amount | % |
| Cash & cash equivalent, Due from Central Bank and other banks | \$110,172,361 | \$70,268,555 | \$39,903,806 | 57 |
| Financial assets at fair value through profit or loss | 8,167,543 | 3,017,823 | 5,149,720 | 171 |
| Securities purchased under re-sale agreements | 251,626 | 39,500 | 212,126 | 537 |
| Financial assets available for sale | 7,516,896 | 6,230,049 | 1,286,847 | 21 |
| Discount & loans | 190,679,993 | 189,657,099 | 1,022,894 | 1 |
| Accounts Receivable | 15,086,661 | 16,808,438 | (1,721,777) | (10) |
| Held-to-maturity investment | 1,313,015 | 3,272,634 | (1,959,619) | (60) |
| Stock investments accounted for under the Equity Method | 1,114,794 | 1,050,576 | 64,218 | 6 |
| Property & equipment | 7,956,701 | 8,089,483 | (132,782) | (2) |
| Intangibles | 2,119,709 | 2,374,485 | (254,776) | (11) |
| Other Financial Assets | 49,631,216 | 57,137,087 | (7,505,871) | (13) |
| Other Assets | 3,714,937 | 5,127,948 | (1,413,011) | (28) |
| Total Assets | \$397,725,452 | \$363,073,677 | \$34,651,775 | 10 |
| Due to Central Bank & other banks | \$7,007,256 | \$10,287,346 | (\$3,280,090) | (32) |
| Deposits & Remittance | 322,756,910 | 289,605,854 | 33,151,056 | 11 |
| Financial liabilities at fair value through profit or loss | 33,852 | 51,584 | (17,732) | (34) |
| Securities sold under re-purchase agreements | 34,522,173 | 33,596,926 | 925,247 | 3 |
| Accounts Payable | 5,847,302 | 3,838,896 | 2,008,406 | 52 |
| Borrowing from Central Bank and Other Banks & Financial Bills Payable | 4,890,000 | 4,890,000 | - | 0 |
| Preferred Stock Liabilities | - | - | - | - |
| Other Financial Liabilities | 337,852 | 318,027 | 19,825 | 6 |
| Other Liabilities | 365,444 | 390,574 | (25,130) | (6) |
| Total Liabilities | \$375,760,789 | \$342,979,207 | \$32,781,582 | 10 |
| Capital | \$19,484,996 | \$19,484,996 | - | - |
| Capital Surplus | 33,811 | 33,811 | - | - |
| Retained Earnings | 3,054,066 | 1,176,594 | 1,877,472 | 160 |
| Unrealized Loss on Financial Assets | (167,173) | 155,124 | (322,297) | (208) |
| Cumulative translation adjustments | (263,522) | (640,778) | 377,256 | (59) |
| Shareholders' Equity- Other | (177,515) | (115,277) | (62,238) | 54 |
| Total Shareholders' Equity | \$21,964,663 | \$20,094,470 | \$1,870,193 | 9 |

Analysis of the Financial Status and Operating Results & Risk Management

Notes:

1. The increase in cash and cash equivalents, due from Central Bank and Interbank call loans was a result of the increase in Central Bank time deposits.
2. The increase in financial assets (liabilities) at fair value through profit or loss was due primarily to the increase of investments in commercial paper, corporate bonds and NCD.
3. The decrease in held-to-maturity financial assets was due primarily to the significant repayment of the Bank's invested securities.
4. The decrease of other assets was due mainly to the fully completed amortization on the deferred sale of nonperforming loans as of the end of September 2011.
5. The increase of account payables was due mainly to the increase of payable in post-dated checks for clearance.
6. The increase in retained earnings was primarily due to increases in net income.

2. Results of Operation

In NT\$ thousand

| Item | 2011 | | 2010 | | Change in Amount | Change in % |
|---|-----------|-------------|-----------|-------------|------------------|-------------|
| | Amount | | Amount | | | |
| Interest Income | | \$6,662,353 | | \$6,650,288 | 12,065 | - |
| Income other than Interest Income | | 644,539 | | 250,278 | 394,261 | 158 |
| Bad debt expense | | 121,500 | | 409,502 | (288,002) | (70) |
| Operating expense | | 4,964,012 | | 4,658,552 | 305,460 | 7 |
| Wages & salaries | 2,346,886 | | 2,148,514 | | 198,372 | 9 |
| Depreciation & amortization expense | 301,954 | | 374,075 | | (72,121) | (19) |
| Other business & administrative expense | 2,315,172 | | 2,135,963 | | 179,209 | 8 |
| Income (loss) before tax | | 2,221,380 | | 1,832,512 | 388,868 | 21 |
| Income tax benefits (expense) | | 394,765 | | 422,087 | (27,322) | (6) |
| Net Profit (Loss) | | \$1,826,615 | | \$1,410,425 | \$416,190 | 30 |

Notes of change:

1. The increase of net income other than interest was due mainly to the fully completed amortization, at end of September of 2011, on the deferred sale of nonperforming loans.
2. The decrease of bad debt expenses was due primarily to improvement in the quality of the Bank's credit assets as a result of tightening credit policy.

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

| Item | Year | 2011 | 2010 | Change (%) |
|----------------------------------|---------------------|----------|----------|------------|
| | Cash flow ratio (%) | | 9.50 | 12.16 |
| Cash flow adequacy ratio (%) | | 4,162.73 | 2,664.04 | 1,498.69 |
| Cash flow satisfaction ratio (%) | | 12.46 | 54.14 | (41.68) |

Analysis of changes in proportion:

1. The decrease in cash flow ratio was because the net cash inflow from operating activities in 2011 was less than those of the previous year.
2. The increase in net cash flow adequacy ratio was mainly caused by the reason that the degree of cash inflow from operating activities in 2011 was larger than capital expenditure.

Analysis of the Financial Status and Operating Results & Risk Management

3. The decrease of cash flow satisfaction ratio was mainly due to the reason that the net cash outflow generated by investment activities was more than those of the previous year.

(2) Liquidity Analysis for the Next Year

In NT\$ thousand

| 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 | Corrective measures for cash deficiency | |
|------------------------------|---|---|--|---|----------------|
| | | | | Investment Plan | Financing Plan |
| 8,390,592 | 2,121,347 | (1,569,512) | 8,942,427 | - | - |

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.
- (3) Financing activities: To meet the business demand of growth in loans, and expansion of deposits.

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

4. The Impact of Major Capital Expenditure During 2011 on the Bank's Financial Operations

(1) Major Capital Expenditures and sources of funding:

In NT\$ thousand

| Project | Sources of Funding | Date of Completion | Total Funding Required | Utilization of Actual or Estimated Source of Funding | | | | |
|--------------------------|--------------------|--------------------|------------------------|--|--------|---------|--------|---------|
| | | | | Actual or Estimated | 2008 | 2009 | 2010 | 2011 |
| Office equipment | Self-funding | December 2012 | 101,643 | 29,666 | 29,761 | 19,728 | 22,488 | 111,135 |
| Transportation equipment | Self-funding | December 2012 | 27,569 | 5,613 | 6,725 | 10,246 | 4,985 | 23,853 |
| Other equipment | Self-funding | December 2012 | 79,851 | 4,480 | 29,208 | 40,796 | 5,367 | 14,706 |
| Land | Self-funding | December 2012 | 202,415 | 194,851 | 0 | 7,564 | 0 | 0 |
| Building & improvements | Self-funding | December 2012 | 283,418 | 46,730 | 0 | 236,274 | 414 | 304 |

- (2) Expected benefits: Improve the Bank's corporate image and service quality as well as maintain a stable service network.

5. Reinvestment Policy, the Main Reasons for Profit or Loss, Corrective Action Plan in 2011, and Investment Plan for the Next Year:

(1) Reinvestment Policy

- A. The Bank's basic principles of reinvestment are to be in line with the government policy, to carry out business diversification and to optimize capital utilization. In addition, the bank will coalesce its related financial business channels to provide customers with multiple services and to create an operating synergy for the group.
- B. The Bank regularly performs assessment on the performance and risk of reinvestments every year, and adopt an active management style to timely adjust reinvestments according to the evaluation on their financial and business status, and keep track of each performance.

Analysis of the Financial Status and Operating Results & Risk Management

- (2) The Main Reasons for Profit or Loss, and Corrective Action Plan in 2011
 - A. The Bank's Investment profit recognized in 2011 totalled NT\$121,000,000 and the main items recognized are the operating profit and cash dividend income of the reinvestment business.
 - B. On December 14, 2011, the Bank's 125th Meeting of 7th Executive Board of Directors approved the sale of the 21,672 shares of the reinvestment business, SaveCom International Inc., and recognized the investment profit in the amount of NT\$108,800.
- (3) Investment Plan for the Next Year
Will depend on the overall economic environment and the Bank's operating strategy.

6. Risk Management

- (1) Qualitative and Quantitative Information About the Various Risks:
 - A. Credit Risk Management System and Capital Requirement:
 - a. Credit Risk Management System-2011

| Item | Contents |
|--|--|
| 1. Credit risk management strategies and procedures | <ol style="list-style-type: none"> 1. Credit risk management strategy: The Bank has enacted UNION BANK credit risk management principle as the basis to plan, promote, manage and execute the credit risk. 2. Credit risk management objective: The Bank has established credit risk management mechanism to lower credit risk, and to achieve the objective of operating and management, and to attain a balance between risk control and business development. 3. Credit risk management policy: The Bank has aimed at maintaining an adequate capital base within an acceptable level of credit risk to complete the objective of credit risk strategy and maximize revenue in after-risk-adjusted. 4. Credit risk management procedure: The Bank has employed procedures such as risk recognition, risk measuring, risk offsetting, risk control and risk reporting etc. to establish risk management system. |
| 2. Credit risk management organization and framework | <ol style="list-style-type: none"> 1. Board of Directors: The highest decision-making unit of the Bank's credit risk management policy. Responsible for reviewing the Bank's credit risk management policy. 2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's credit risk management. 3. Risk Management Dept.: Responsible for examining the risk management mechanisms established by the respective business administration departments, performing the risk control and submitting the risk control report to the Board of Directors regularly. 4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and supervising the performance of risk control of respective business unit. 5. Respective business units: Shall comply with the rules and regulations set forth by the Business Planning and Administration Departments while conducting their day-to-day operations. |

Analysis of the Financial Status and Operating Results & Risk Management

| Item | Contents |
|--|---|
| 3. Scope and characteristics of credit risk reporting and measurement system | <p>Scope of Risk Reporting</p> <ol style="list-style-type: none"> 1. All business administration departments report to the Assets and Liabilities Management Committee on a periodic basis regarding the status of business promotion and execution as well as information on the allocation of risk-based assets. 2. The Risk Management Dept. monitors the control of the Bank's credit limits on a periodic basis and reports to the Assets and Liabilities Committee with respect to concentration of credit risks and achievement of the BIS targets set for various business sectors. The Risk Management Dept. also reports to the Board of Directors on the various business volumes achieved, status of nonperforming loans, concentration of credit risks and the execution of credit risk control measures. <p>Measurement System: The Bank adopts the Standardized Approach to compute the capital requirement and regularly generates official risk management reports. The Risk Management Dept. and the respective business administration departments generate various risk exposure reports by business, industry, group, credit concentration or types of collateral, to effectively measure and manage credit risks.</p> |
| 4. Credit risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools | <p>The Bank employs suitable strategies such as eschewing, transfer, control and undertaking to tackle possible credit risk losses of all business units according to their respective business characteristics and cost-effective considerations. The Bank's IT system provides the relevant risk information to assist the Bank's management to perform risk monitoring procedures. The Risk Management Department reports the status of risk control measures to the Board of Directors on a six-monthly basis.</p> |
| 5. Method used to provide the legal capital | Standard Method. |

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

As of December 31, 2011

In NT\$ thousand

| Type of exposure | Exposure after risk reduction | Capital requirement |
|--|-------------------------------|---------------------|
| Sovereign states | 109,948,804 | 0 |
| Public departments other than the central government | 2,278,627 | 36,458 |
| Banks (including multiple development banks) | 23,158,619 | 287,087 |
| Enterprises (including securities and insurance companies) | 36,340,993 | 2,838,127 |
| Retailing credits | 84,818,573 | 5,585,143 |
| Residential real estate | 77,401,787 | 2,897,225 |
| Investments in equity securities | 118,793 | 38,014 |
| Other assets | 18,360,969 | 879,570 |

Analysis of the Financial Status and Operating Results & Risk Management

| | | |
|-------|-------------|------------|
| Total | 352,427,166 | 12,561,624 |
|-------|-------------|------------|

B. Risk Management System, Risk Exposure and Capital Requirement of Asset Securitization : a. Risk Management System of Asset Securitization in 2011

| Item | Contents |
|---|---|
| 1. Management strategy and procedure of asset securitization | <p>(1) Asset Securitization Strategy: The current asset securitization investment positions held by the Bank belong to the banking books. In principle the bank does not act in the capacity of the originating bank of securitization products, but rather plays as the investor to earn stable income. The investment target products are mainly of the investment grade with higher security.</p> <p>(2) Asset securitization procedure: Before making investment, the bank evaluates the characteristics, credit rating, returns and risks of the products to understand the security, liquidity and profitability. Investment proposals should be submitted to the Board of Managing Directors for approval, and regularly review the exposure status on the investment targets.</p> |
| 2. Asset securitization management organization and framework | The Bank does not act as the originating bank of any securitized products. The risks of positions invested are evaluated and reviewed by the investing unit and the Bank's risk management department periodically. |
| 3. Scope and characteristics of asset securitization risk report and measuring system | In addition to observing the global economy and market interest rate change in connection with the investment on securitization products, regular evaluation and monitoring on risk and income are performed periodically and the results are submitted to Asset-Liability Management committee and the Board of Director. |
| 4. Asset securitization hedging or risk reduction policies, and effective strategies and procedures for controlling risk hedging and risk reduction tools | The relevant units shall review and control the securitized products periodically. |
| 5. Approach to require the authorized capital | Standard Method |

b. Status of Asset Securitization As of December 31, 2011

| Type | Total issue amount | Outstanding balance | Amount repurchased |
|------|--------------------|---------------------|--------------------|
| None | | | |

Analysis of the Financial Status and Operating Results & Risk Management

c. Exposure & Capital Requirement of Asset Securitization As of December 31, 2011
In NT\$ thousand

| Type of exposure | Non-originating bank | | Originating bank | | | | | Capital requirement prior to securitization |
|------------------|---|---------------------|-----------------------------------|---------------|------------------|------------------|-------------------------------|---|
| | Purchased or held securitized exposures | Capital requirement | Exposure | | | | Asset-based commercial papers | |
| | | | Non-asset-based commercial papers | | Portfolio | | | |
| | | | Conventional | With position | Without position | Without position | | |
| CMO | 45,141,688 | 0 | | | | | | |
| Total | 45,141,688 | 0 | | | | | | |

d. Information of Securitized commodities investment As of December 31, 2011
I. Summary of Investment in Securitized commodities

USD : NTD = 1 : 30.290 In NT\$ thousand

| Item | Account | Initial Cost | Cumulative Valuation Gain or Loss | Cumulative Impairment | Carrying Amount |
|------|------------------------------------|--------------|-----------------------------------|-----------------------|-----------------|
| CMO | Held-to-maturity financial assets | 248,794 | 0 | 0 | 248,794 |
| CMO | Non-active market debt instruments | 44,723,018 | 0 | 0 | 44,723,018 |

Note: The above numbers do not include the amount of Interest Receivable.

II.

i. Information on Securitized commodities investment 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):

USD : NTD = 1 : 30.368 In NT\$ thousand

| Name of Securities | Account (Note) | Currency | Issuer & Place | Purchase 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 |
|--------------------|------------------------------------|----------|----------------|-------------------|-------------|---------------|--|--------------|-----------------------------------|-----------------------|-----------------|------------------|-----------------------|
| | | | | Maturity Date | | | | | | | | | |
| Ginnie Mae CMO | Non-active market debt instruments | USD | Ginnie Mae | 20090529-20111230 | 4%~5% | AAA | Monthly | 40,368,349 | 0 | 0 | 40,368,349 | N/A | N/A |
| | | | | 20140529-20401220 | | | | | | | | | |
| Fannie Mae CMO | Non-active market debt instruments | USD | Freddie Mac | 20090227 | 5.5% | AAA | Monthly | 342,352 | 0 | 0 | 342,352 | N/A | N/A |
| | | | | 20141229 | | | | | | | | | |

Analysis of the Financial Status and Operating Results & Risk Management

ii. Securitized commodities held by the bank as the originator for the purpose of credit enhancement

| 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 | | | | | | | | | | | | |

iii. Bank acting as the buyer or liquidating buyer of the impaired assets of Securitized commodities

In NT\$ thousand

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

III. Bank acting as the guarantor of, or the provider of liquidity facility for the Securitized commodities

In NT\$ 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

a. Operation Risk Management System

2011

| Item | Risks |
|--|---|
| 1. Operation risk management strategies and procedures | <p>Strategies: The Bank has enacted the "Operation Risk Management Guidelines of Union Bank of Taiwan" which serves as the basis for relevant business units to plan, promote, manage and execute operations risk management.</p> <p>Procedure: The Bank has built up an operation risk management mechanism through procedures for risk identification, assessment, measuring, monitoring and reporting.</p> |

Analysis of the Financial Status and Operating Results & Risk Management

| Item | Risks |
|---|--|
| 2. Operational risk management organization and framework | <ol style="list-style-type: none"> 1. Board of Directors: The top decision-making unit of the Bank's operational risk management policy. Responsible for reviewing the Bank's operational risk management policy. 2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's operational risk management. 3. Risk Management Dept.: Responsible for examining the risk management mechanisms established by the respective business administration departments, performing risk control and the submitting the risk control report to the board of Directors regularly. 4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and supervising the performance of risk control of respective business unit. 5. All business units: Shall comply with the rules and regulations set forth by the Business Administration departments in daily operations. |
| 3. Scope and characteristics of the operational risk reporting and measurement system | The Bank adapts the "Guidelines for Collection of Operational Risk Information" and establishes the "Operational Risk Reporting System" for all departments to report any operational risk incident to the Risk Management Department. The Risk Management Department reports to the Assets and Liabilities Management Committee and prepares the operational risk control reports for submission to the Board of Directors regularly. |
| 4. Operational risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk 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 takes every possible operation risk into consideration and build up acceptable action measures while enacting operation manual for core products. In addition, External and internal auditing are the enhancements of operation risk prevention. 3. Risk Management Department informs Asset-Liability Committee about operation risk incidents collected quarterly and reports the Board of Director the operation risk control status of all business biannually. |
| 5. Method used to provide the legal capital | Basic Indicator Approach. |

b. Operation Risk Capital Requirement As of Dec.31, 2011

In NT\$ thousand

| Year | Gross profit | Capital requirement |
|-------|--------------|---------------------|
| 2009 | 8,484,711 | |
| 2010 | 8,577,528 | |
| 2011 | 7,951,909 | |
| Total | 25,014,148 | 1,250,707 |

Analysis of the Financial Status and Operating Results & Risk Management

D. Market Risk Management System and Capital Requirement a. Market Risk Management System – 2011

| Item | Contents |
|--|---|
| 1. Market risk management strategies and procedures | <ol style="list-style-type: none"> 1. The Bank has enacted “UNION BANK market risk management principle” approved by the Board of Directors, as the basis for market risk management. 2. The management procedure of market risk management contains the following five processes: <ol style="list-style-type: none"> (1) Risk Identification: For items on/off the Balance Sheet, the bank identify the market risk factors of various products and investment business to evaluate the risk and define management procedure and control mechanism. (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. (3) Risk Monitoring: Clearly define risk limits on relevant operation regulations for all business and monitor by frequency. Risk Management Department is in charge of the summarization and presentation of market risks for the Bank. (4) Risk Reporting: Risk Reporting is divided into routine reporting, overrun reporting and exceptional reporting. Routine reports are distributed to proper authorized level in accordance with the List of Separation of Duties; overrun reports should explain overrun status and suggest responsive measures; Exception reports are submitted by business unit before an event due to temporary business needs. (5) Risk reduction: Risk reduction procedures such as risk hedging, investment portfolio adjustment, position allocation, stop-loss and close new transactions. |
| 2. Market risk management organization and framework | <ol style="list-style-type: none"> 1. Board of Directors: The top decision-making unit of the Bank’s market risk management policy responsible for examining and approving the Bank’s market risk policy and the total risk limit targets for all businesses, and setting and modifying the Bank’s market risk management organization structure. 2. Asset-Liability Management Committee: Examine the management reports and information submitted by risk management department and the business units. 3. Risk Management Department: It is a dedicated independent risk management unit executing three pillars related operation of BASELII market risk, planning and building market risk measuring tools, and monitoring according to the risk limits for different products. 4. Business Units: responsible for the execution of daily market risk management for the business they handle, and reporting the market risk and investment status related information to proper authorization level. |
| 3. Scope and characteristics of the market risk reporting and measurement system | <ol style="list-style-type: none"> 1. Market Risk evaluated trading book position for various financial products and use fair market value or evaluation model as basis to regularly evaluate the profit/loss condition of the position held. 2. All business units and risk management department should make relevant management reports regularly and submit to proper authorization level. 3. Market risk management system combine with front-desk trading position and middle desk evaluation to generate sufficient information for assisting all management levels to execute each individual risk monitoring task, and can support |

Analysis of the Financial Status and Operating Results & Risk Management

| Item | Contents |
|--|---|
| | the capital calculation method selected by a bank to generate relevant internal and external reports as the basis for management decision-making. |
| 4. Market risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools | When market risk is excessive or the position limit or stop-loss limit has been exceeded. The bank will take following market risk reduction method: hedging, portfolio adjustment, position adjustment, square stop-loss and stop new transaction. |
| 5. Method used to provide the legal capital | Standardized Approach. |

b. Market Risk Capital Requirement

December 31, 2011

In NT\$ thousand

| Type of risk | Capital requirement |
|------------------------|---------------------|
| Interest rate risk | 8,694 |
| Equity securities risk | 318,438 |
| Foreign exchange risk | 126,190 |
| Product risk | 0 |
| Total | 453,322 |

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, 2011

In NT\$ 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 | 344,234,261 | 101,950,941 | 35,083,536 | 19,263,322 | 47,643,645 | 140,292,817 |
| Main capital outflow on maturity | 390,799,219 | 45,524,553 | 36,244,152 | 44,824,337 | 99,245,067 | 164,961,110 |
| Gap | (46,564,958) | 56,426,388 | (1,160,616) | (25,561,015) | (51,601,422) | (24,668,293) |

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

b. Maturity Analysis of USD Assets and Liabilities

December 31, 2011

In US\$ 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 | 1,750,579 | 112,250 | 16,357 | 22,487 | 1,379 | 1,598,106 |
| Main capital | 2,115,683 | 876,640 | 418,874 | 350,533 | 150,346 | 319,290 |

Analysis of the Financial Status and Operating Results & Risk Management

| | | | | | | |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| outflow on maturity | | | | | | |
| Gap | (365,104) | (764,390) | (402,517) | (328,046) | (148,967) | 1,278,816 |

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

- c. Approach to Manage Assets and Liabilities
- i. The Bank's assets and liabilities management mechanism applies the asset and liability interest rate sensitivity and gap analysis for control purpose. Presently, the Bank has set up the Assets & Liabilities Management Committee to provide guidance and, policy instruction and to manage interest rate fluctuations and gaps. In addition to fully monitoring on interest rate, senior executive meetings are called from time to time as needed to exercise overall adjustment and review the Bank's asset and liabilities structure, and present result to the Committee for approval.
 - ii. For the interest rate risk of NTD and foreign currencies, the Bank employ well-established trading and funding MIS to manage daily changes of deposit and loan amounts, as well as the cost and balance of deposits in various types and terms. In addition, it will produce the analysis of floating and fixed interest rate deposits and loans, the analysis of interest rate sensitivity and the analysis of interest rate spread. The Bank will utilize above mentioned information and analyses to set up strategies for interest rate adjustment.
 - iii. For foreign exchange risk, the Bank has designed independent and related procedures for transaction settlement, and has also applied the position control, individual trader position control and stop-loss control etc.
 - iv. For liquidity risk, the Bank strictly monitor cash on hands and the movement of deposits and loans every day. Meanwhile, the Bank has also launched the mechanism to forecast, measure, calculate and early warning for future needs and changes of funding so as to realize current assets to meet the needs.

- (2) 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:

In order to strengthen bank capital and implement risk-based credit business, the Financial Supervisory Commission, Executive Yuan ask all banks to have more than 1% loan coverage ratio starting from January 1, 2012, if a bank does not reach more than 1% loan coverage rate, the applications for new business will be restricted. The Bank has increased its loan coverage rate to above 1% so it will not be affected by the restriction mentioned above.

- (3) The Effect of Technological and Industrial Changes on the Bank's Financial Position and its Response Actions thereof: None.

- (4) The effect of change in the Bank's corporate image on the Bank and its response actions:

To effectively control communication quality with media and avoid improper handling of public relation crisis which may impact enterprise image, the Bank



Analysis of the Financial Status and Operating Results & Risk Management

has implemented the spokesperson mechanism and set “Union Bank of Taiwan Operation Crisis Counter Measures” and “Internal significant information handling procedures”. Once there is incident damaging the enterprise image, the system will notify the relevant units according to notification SOP (standard operating procedure). The spokesperson is responsible for answering questions and making statements to the public to prevent damage from spreading, and effectively protect the Bank’s reputation and brand image.

- (5) Expected Result and Possible Risks of Mergers and Acquisitions and Response Actions thereof: None
- (6) Expected Result for Establishing More Business Locations, Possible Risk and Response Actions Thereof:
The establishment of business unit will not only increase transaction volume of deposits/loans but also improve profits as well as provide comprehensive services to our customers. Nevertheless, there is possibility that the economy of scale may not be achieved due to poor branch location or the business activities may be below our expectation. The Bank will then access the needs for relocation.
- (7) Risk in the Over Concentration of Business and Response Action thereof:
When business is concentrated, it could easily make business income source over-concentrated in one single industry or single customer group. It is vulnerable to industry cycle and could heighten the risks borne by the Bank. The Bank’s current credit and investment related business are all based on and executed within the internal quota policy. The Bank has set regulations such as “Credit/Market Risk Management Guideline”, “Regulations governing the Management of Enterprise Group Credit Risk”, “Foreign Currency Security Investment Processing Guideline”, “Foreign Currency Credit and Country Risk Management Approach”, and “Investment Policy” to strengthen the management of risk quota for all business.
The Bank’s Risk Management Department also monitors credit quota, controls status and reports the credit concentration regularly to Asset-Liability Management Committee and the Board of Directors.
- (8) The Effect of Change in the Management of the Bank, Possible Risk and Response Action Thereof: None
- (9) Legal Actions and Non-contentious Matters: None.
- (10) Other Major Risks and Response Actions thereof: None.

7. Contingency Plan

The Bank has enacted the “Essential Points for Urgent Response Action to Disasters” and has set up a crisis management taskforce, urgent contact and report mechanism to execute the disaster rescue measures effectively. The various business units shall perform the disaster education training 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.

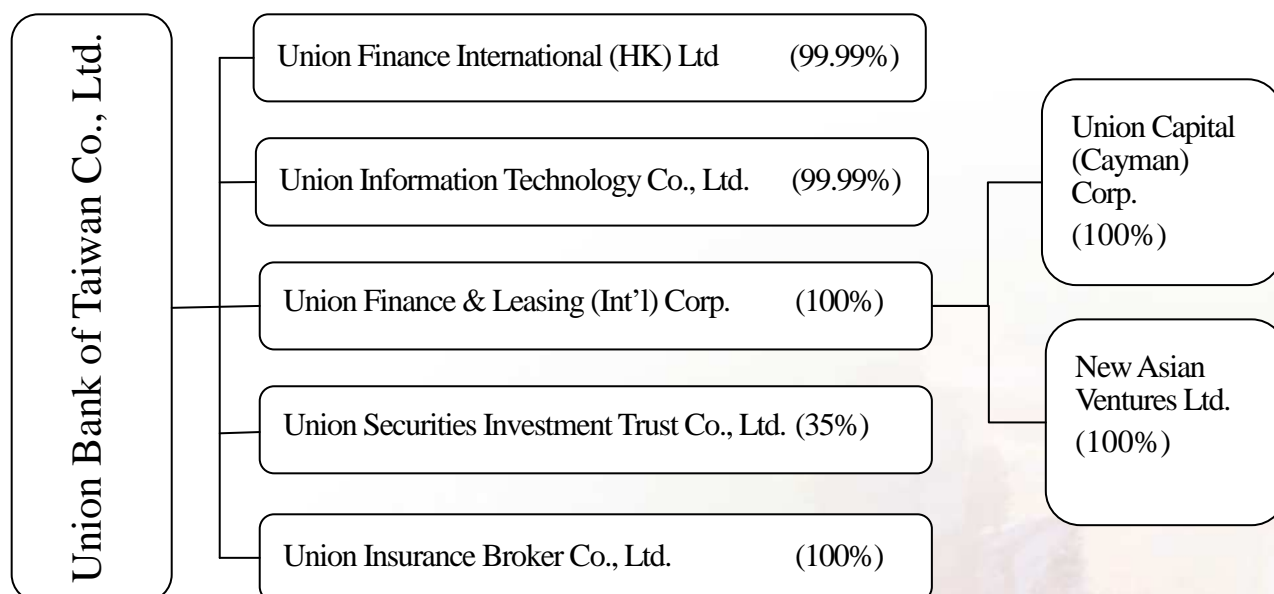
8. Other Important Matters: None

Affiliated and Special Notes

1. Information on Affiliated Enterprises

(1) Organization Chart

Shareholding(%)



| Name of Enterprise | Date of Establishment | Address | Paid-in Capital | Main Business or Production Activities |
|---|-----------------------|--|-----------------|--|
| 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 business |
| 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 |

Affiliated and Special Notes

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

December 31, 2011

| Name of Enterprise | Title | Name of Representative | Shareholding | | | |
|---|----------------------|---|--------------|------------|---|-------|
| | | | Shares | % | | |
| Union Finance International (HK) Ltd | Director | Union Bank of Taiwan (Representative: Jeff Lin) | 30,000,000 | 99.999994% | | |
| | Director | Union Bank of Taiwan (Representative: Shiang-Chang Lee) | 2 | 0.000006% | | |
| | Director | Union Bank of Taiwan (Representative: Cheng-Yu Liu) | - | 0.00% | | |
| | Director | Union Bank of Taiwan (Representative: Connie Tseng) | - | 0.00% | | |
| | Director & President | Union Bank of Taiwan (Representative: Amanda Lin) | - | 0.00% | | |
| Union Information Technology Co., Ltd. | Chairman | Union Bank of Taiwan (Representative: Sophia Huang) | 999,923 | 99.99% | | |
| | Director | Union Bank of Taiwan (Representative: Cheng-Yu Liu) | | | | |
| | Director | Union Bank of Taiwan (Representative: Luke Yang) | | | | |
| | Supervisor | Union Bank of Taiwan (Representative: Tiffany Yu) | | | | |
| | President | Sophia Huang | | | - | 0.00% |
| Union Securities Investment Trust Co., Ltd. | Chairman | Kun-Che Investment Co., Ltd. (Representative: Ming-Hsing Ho) | 5,399,667 | 18% | | |
| | Director | Kun-Che Investment Co., Ltd. (Representative: Wen-Ming Lee) | | | | |
| | Director | Kun-Che Investment Co., Ltd. (Representative: Ti-Mao Lee) | | | | |
| | Supervisor | Kun-Che Investment Co., Ltd. (Representative: Chao-Hsuan Tsai)) | | | - | 0.71% |
| | President | Lin-Yu Fan | | | - | - |
| Union Finance & Leasing (International) Corp. | Chairman | Union Bank of Taiwan (Representative: Wei-Shin Shen) | 70,000,000 | 100.00% | | |
| | Director | Union Bank of Taiwan (Representative: Herman Tu) | | | | |
| | Director | Union Bank of Taiwan (Representative: Cheng-Juh Hsieh) | | | | |
| | Supervisor | Union Bank of Taiwan (Representative: Yin-Bor Chan) | | | | |
| | President | Wei-Shin Shen | | | - | 0.00% |
| 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 | | | - | 0.00% |
| Union Capital (Cayman) Corp | Director | Union Finance & Leasing (International) Co., Ltd. (Representative: Wei-Shin Shen) | 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: Wei-Shin Shen) | 1 | 100.00% | | |
| | Director | Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh) | | | | |

(3) General Information of Affiliated Enterprises

In NT\$ 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 Finance International (H.K.) Ltd. <small>Note1</small> | 106,589 | 272,315 | 191,375 | 80,940 | 12,504 | 11,511 | 2,556 | 0.09 |
| Union Information Technology Co., Ltd. | 10,000 | 68,283 | 53,910 | 14,373 | 138,030 | (8,706) | (8,472) | - |
| Union Finance & Leasing (International) Corp. | 700,000 | 6,410,341 | 5,603,553 | 806,788 | 1,431,414 | 113,870 | 62,941 | 0.90 |

Affiliated and Special Notes

| 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 Securities Investment Trust Co., Ltd. | 300,000 | 359,536 | 13,311 | 346,224 | 82,679 | 26,414 | 14,381 | 0.48 |
| Union Insurance Broker Co., Ltd. | 5,000 | 36,078 | 11,053 | 25,025 | 383,976 | 18,844 | 15,898 | 31.80 |
| Union Capital (Cayman) Corp. Note2 | 1,644 | 490,936 | 21 | 490,915 | 0 | (91) | 5,334 | 106.73 |
| New Asian Ventures Ltd. Note2 | 1 | 75,329 | 21 | 75,308 | 0 | (70) | (14,655) | - |

Note 1 : HKD:TWD exchange rate as at Dec 31, 2011 was 3.898; average exchange rate for year 2011 was 3.787

Note 2 : USD:TWD exchange rate as at Dec 31, 2011 was 30.290; average exchange rate for year 2011 was 29.482.

- (4) Consolidated financial statements of affiliated enterprises: please refer to Page 136.
- (5) Relationships between the business activities conducted by affiliated enterprises: please refer to Page 136.

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. In order to implement International Financial Reporting Standards (IFRS), for the financial effects on January 1, 2012 (Opening Balance day), the Bank and Subsidiaries adjust and add net worth in NT dollars 391,409 (hereinafter the same), the affected items are as follows:

- (1) Employee Benefits: Decrease 391,409 thousand NT dollars for net worth, this part will reduce the employee benefit expenses recognized in the future year.
- (2) Investment type of Real Estate: Net worth increase 1,335,292 thousand NT dollars.
- (3) Functional Currency: Net worth 3,740 thousand NT dollars.

| Branch Name | Address | Telephone |
|----------------------------|---|---------------|
| Head Office | 3F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | (02)2718-0001 |
| International Banking Dept | 2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | (02)2718-0001 |
| Trust Department | 3F, No.137, Sec. 2, Nanjing E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.) | (02)2507-4066 |
| Credit Card Group | 5F, No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taipei City 105, Taiwan (R.O.C.) | (02)2545-5168 |
| Offshore Banking Branch | 2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | (02)2718-0001 |
| Business Department | No.105, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.) | (02)2556-8500 |
| Taipei Branch | 1F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | (02)2718-0001 |
| Changchun Branch | No.328, Changchun Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | (02)2545-5588 |
| Nanking East Road Branch | No.137, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | (02)2515-1333 |
| East Taipei Branch | No.217, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | (02)2753-0900 |
| Chunghsiao Branch | 2F., No.5, Lane 223, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | (02)2773-3456 |
| Jenai Branch | No.401, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | (02)2781-3366 |
| Tungmen Branch | No.101, Sec. 2, Sinyi Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.) | (02)2358-2345 |
| Hoping Branch | No.68-2, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | (02)2735-2828 |
| Chungshan Mini Branch | No.83, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | (02)2571-7890 |
| Kungkuan Branch | No.272, Sec. 3, Roosevelt Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.) | (02)2369-2678 |
| Sungchiang Branch | No.228, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | (02)2561-6601 |
| Breeze Center Mini Branch | 2F., No.39, Sec. 1, Fusing S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | (02)8772-2858 |
| Tunhwa Branch | No.209-1, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | (02)8773-3588 |
| Taan Branch | No.165, Sec. 4, Hsin-I. 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 |

Bank Directory

| Branch Name | Address | Telephone |
|---------------------------|---|---------------|
| 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.9, Lane 91, Shihdong Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.) | (02)2875-6161 |
| Wenlin Branch | No.758, Wunlin Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.) | (02)2835-1818 |
| Beitou Mini 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 District, New Taipei City 220, Taiwan (R.O.C.) | (02)2965-6600 |
| Houpu Branch | No.77, Chongcing Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.) | (02)2964-2777 |
| Sanchung Branch | No.10, Sec. 3, Chongsin Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.) | (02)2977-7666 |
| North Sanchung Branch | No.245, Jhengyi N. Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.) | (02)2982-6226 |
| Tenshin Branch | No.16, Sec. 3, Jhongsiao Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.) | (02)8982-1155 |
| Luchou Branch | No.80, Jhongjheng Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.) | (02)2848-5577 |
| Chungho Branch | No.150, Jian 1st Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.) | (02)8226-5168 |
| North Chungho Mini Branch | No.122, Sec. 3, Jhongshan Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.) | (02)2221-9698 |
| Shuanho Branch | No.222, Jhongjheng Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.) | (02)2945-9898 |
| Yungho Branch | No.137, Sec. 2, Yonghe Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.) | (02)8660-0808 |
| Hsintien Branch | No.100, Mincyuan Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.) | (02)2219-9989 |
| Ankang Branch | No.161, Sec. 2, Ankang Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.) | (02)2211-9088 |
| Hsinchung Branch | No.601, Sihyuan Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.) | (02)8522-7799 |
| Fuguo Branch | No.108, Fuguo Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.) | (02)2205-2299 |
| Chungkung Mini Branch | No.308, Jhonggang Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.) | (02)2276-9678 |
| Wugu Branch | No.6-1, Sec.3, Chengtai Rd., Wugu District, New Taipei City 248, Taiwan (R.O.C.) | (02)2291-5888 |
| Linkou Branch | No.468, Jhongsiao Rd., Linkou District, New Taipei City 244, Taiwan (R.O.C.) | (02)2600-6969 |
| Shulin Branch | No.275, Jhonghua Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.) | (02)8685-8939 |
| Hsichih Branch | No.159, Sec. 1, Sintai 5th Rd., Sijhih District, New Taipei City 221, Taiwan (R.O.C.) | (02)8642-5289 |
| Tucheng Branch | No.3, Chengtian Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.) | (02)2268-1799 |

Bank Directory

| Branch Name | Address | Telephone |
|-----------------------|---|---------------|
| 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.189, Jianxing 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, Jhongjheng 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, Jhongjheng Rd., Longtan Township, Taoyuan County 325, Taiwan (R.O.C.) | (03)470-9188 |
| Tayuan Branch | No.56, Jhongjheng E. Rd., Dayuan Township, Taoyuan County 337, Taiwan (R.O.C.) | (03)385-0505 |
| Hsinchu Branch | No.107, Jhongjheng 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 |

Bank Directory

| Branch Name | Address | Telephone |
|-----------------------------------|---|----------------|
| Fongyuan Branch | No.102, Fucian St., Fongyuan District, 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, Jhongjheng 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 District, Kaohsiung City 830, Taiwan (R.O.C.) | (07)763-8185 |
| Wuchia Branch | No.173, Nanhua Rd., Fongshan District, Kaohsiung City 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 | 12F1.,8 Nguyen Hue Str., 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, 2011 and 2010 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, 2011 and 2010, 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 year ended December 31, 2010 of some equity-method investees: Union Bills Finance Corporation, Union Finance International (H.K.) Limited, and Union Real-Estate Management Corporation. The carrying amount of these equity-method investments was 0.04% (NT\$147,266 thousand) of the Bank's total assets as of December 31, 2010. The loss from these equity-method investments was 1.26% (NT\$23,181 thousand) of the pretax income in 2010. 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 35, 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 increases of NT\$965,261 thousand in 2011 and NT\$1,587,321 thousand in 2010 in pretax income. Also, the balances of the other assets and unappropriated earnings as of December 31, 2010 would have decreased by NT\$965,255 thousand.

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, 2011 and 2010, 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, the Criteria Governing the Preparation of Financial Reports by Securities Firms, 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.

We have also audited the consolidated financial statements of Union Bank of Taiwan and subsidiaries as of and for the years ended December 31, 2011 and 2010, on which we have issued a qualified opinion in our report dated March 13, 2012.

As discussed in Note 3 to the financial statements, on January 1, 2011, Union Bank of Taiwan adopted the revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement" and the newly issued SFAS No. 41 - "Operating Segments."

March 13, 2012

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, 2011 AND 2010

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

| ASSETS | 2011 Amount | 2010 Amount | % Increase (Decrease) | LIABILITIES AND STOCKHOLDERS' EQUITY | 2011 Amount | 2010 Amount | % Increase (Decrease) |
|--|-----------------------|-----------------------|--------------------------|---|-----------------------|-----------------------|--------------------------|
| CASH AND CASH EQUIVALENTS (Note 4) | \$ 8,390,592 | \$ 8,944,278 | (6) | LIABILITIES | | | |
| DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 26) | 101,781,769 | 61,324,277 | 66 | Call loans and due to banks (Notes 17 and 26) | \$ 7,007,256 | \$ 10,287,346 | (32) |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 30) | 8,167,543 | 3,017,823 | 171 | Financial liabilities at fair value through profit or loss (Notes 2, 6 and 30) | 33,852 | 51,584 | (34) |
| SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 28) | 251,626 | 39,500 | 537 | Securities sold under repurchase agreements (Notes 2 and 28) | 34,522,173 | 33,596,926 | 3 |
| RECEIVABLES, NET (Notes 2, 7, 8 and 26) | 15,086,661 | 16,808,438 | (10) | Payables (Notes 18 and 26) | 5,847,302 | 3,838,896 | 52 |
| DISCOUNTS AND LOANS, NET (Notes 2, 8, 26 and 30) | 190,679,993 | 189,657,099 | 1 | Deposits and remittances (Notes 19, 26 and 30) | 322,756,910 | 289,605,854 | 11 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 9, 26 and 30) | 7,516,896 | 6,230,049 | 21 | Bank debentures (Notes 20 and 30) | 4,890,000 | 4,890,000 | - |
| HELD-TO-MATURITY INVESTMENTS (Notes 2, 10 and 30) | 1,313,015 | 3,272,634 | (60) | Other financial liabilities (Notes 26 and 30) | 337,852 | 318,027 | 6 |
| INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Notes 2 and 11) | 1,114,794 | 1,050,576 | 6 | Other liabilities (Note 2) | <u>365,444</u> | <u>390,574</u> | (6) |
| OTHER FINANCIAL ASSETS, NET (Notes 2, 12, 13, 27 and 30) | | | | Total liabilities | <u>375,760,789</u> | <u>342,979,207</u> | 10 |
| Financial assets carried at cost | 450,451 | 452,581 | - | STOCKHOLDERS' EQUITY (Notes 2 and 22) | | | |
| No active market debt instruments | 44,723,018 | 50,878,823 | (12) | Capital stock | | | |
| Others | <u>4,457,747</u> | <u>5,805,683</u> | (23) | Common stock at par value of NT\$10.00, authorized - 3,000,000 thousand shares; issued and outstanding - 1,645,991 thousand shares | 16,459,908 | 16,459,908 | - |
| Other financial assets, net | <u>49,631,216</u> | <u>57,137,087</u> | (13) | Preferred stock | <u>3,025,088</u> | <u>3,025,088</u> | - |
| PROPERTY AND EQUIPMENT (Notes 2, 14, 26 and 28) | | | | Total capital stock | <u>19,484,996</u> | <u>19,484,996</u> | - |
| Cost | | | | Capital surplus | | | |
| Land | 3,530,860 | 3,529,565 | - | Donated capital | 1,398 | 1,398 | - |
| Buildings | 5,048,139 | 4,980,750 | 1 | Treasury stock transactions | <u>32,413</u> | <u>32,413</u> | - |
| Machinery and equipment | 1,368,261 | 1,409,042 | (3) | Total capital surplus | <u>33,811</u> | <u>33,811</u> | - |
| Transportation equipment | 262,815 | 267,157 | (2) | Retained earnings | | | |
| Leasehold improvements | <u>346,487</u> | <u>332,035</u> | 4 | Legal reserve | 352,978 | - | - |
| | 10,556,562 | 10,518,549 | - | Special reserve | 874,473 | - | - |
| Less: Accumulated depreciation | <u>2,612,672</u> | <u>2,467,723</u> | 6 | Unappropriated earnings | <u>1,826,615</u> | <u>1,176,594</u> | 55 |
| Prepayments for equipment | <u>12,811</u> | <u>38,657</u> | (67) | Total retained earnings | <u>3,054,066</u> | <u>1,176,594</u> | 160 |
| Net property and equipment | <u>7,956,701</u> | <u>8,089,483</u> | (2) | Other equity | | | |
| GOODWILL (Notes 2 and 16) | <u>2,119,709</u> | <u>2,374,485</u> | (11) | Unrealized gain (loss) on financial instruments | (167,173) | 155,124 | (208) |
| OTHER ASSETS (Notes 2, 15 and 24) | <u>3,714,937</u> | <u>5,127,948</u> | (28) | Cumulative translation adjustments | (263,522) | (640,778) | (59) |
| TOTAL | <u>\$ 397,725,452</u> | <u>\$ 363,073,677</u> | 10 | Net loss not recognized as pension cost | <u>(177,515)</u> | <u>(115,277)</u> | 54 |
| | | | | Total other equity | <u>(608,210)</u> | <u>(600,931)</u> | 1 |
| | | | | Total stockholders' equity | <u>21,964,663</u> | <u>20,094,470</u> | 9 |
| | | | | CONTINGENCIES AND COMMITMENTS (Notes 2 and 28) | | | |
| | | | | TOTAL | <u>\$ 397,725,452</u> | <u>\$ 363,073,677</u> | 10 |

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

(With Deloitte & Touche audit report dated March 13, 2012)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

| | <u>2011</u> | <u>2010</u> | |
|---|---------------------|---------------------|-------|
| | Amount | Amount | % |
| INTEREST REVENUE (Notes 2 and 26) | \$ 9,546,475 | \$ 9,166,812 | 4 |
| INTEREST EXPENSE (Note 26) | <u>2,884,122</u> | <u>2,516,524</u> | 15 |
| NET INTEREST | <u>6,662,353</u> | <u>6,650,288</u> | - |
| NET REVENUES OTHER THAN INTEREST | | | |
| Commissions and fee revenues (Notes 2 and 26) | 1,796,137 | 1,917,872 | (6) |
| Commissions and fee expenses (Note 2) | <u>427,296</u> | <u>431,668</u> | (1) |
| Net commissions and fees | 1,368,841 | 1,486,204 | (8) |
| Gain on financial assets and liabilities at fair value through profit or loss (Notes 2 and 6) | 20,137 | 287,503 | (93) |
| Realized gain on available-for-sale financial assets (Note 2) | 60,147 | 162,912 | (63) |
| Investment income recognized under the equity method, net (Notes 2 and 11) | 90,714 | 5,152 | 1,661 |
| Foreign exchange gain (loss), net (Note 2) | 238,789 | (170,169) | 240 |
| Impairment losses, net (Notes 2, 15 and 16) | (291,916) | (279,606) | 4 |
| Gain on unquoted equity investments (Note 2) | 29,757 | 129,128 | (77) |
| Gain on investments with no active market | 18,858 | - | - |
| Gain on disposal of collaterals assumed, net | 712 | 145,813 | (100) |
| Securities brokerage fee revenues, net (Note 26) | 69,975 | 84,221 | (17) |
| Amortization of loss on disposal of nonperforming loans (Note 15) | (965,261) | (1,587,321) | (39) |
| Other noninterest net revenues (expenses) (Note 26) | <u>3,786</u> | <u>(13,559)</u> | 128 |
| Total net revenues other than interest | <u>644,539</u> | <u>250,278</u> | 158 |
| Total net revenues | <u>7,306,892</u> | <u>6,900,566</u> | 6 |
| PROVISION (Note 8) | | | |
| Allowance for doubtful accounts | <u>121,500</u> | <u>409,502</u> | (70) |
| OPERATING EXPENSES | | | |
| Personnel expenses (Notes 2, 21 and 23) | 2,346,886 | 2,148,514 | 9 |
| Depreciation and amortization (Notes 2 and 23) | 301,954 | 374,075 | (19) |
| Others (Note 26) | <u>2,315,172</u> | <u>2,135,963</u> | 8 |
| Total operating expenses | <u>4,964,012</u> | <u>4,658,552</u> | 7 |
| INCOME BEFORE INCOME TAX | 2,221,380 | 1,832,512 | 21 |
| INCOME TAX EXPENSE (Notes 2 and 24) | <u>394,765</u> | <u>422,087</u> | (6) |
| NET INCOME | <u>\$ 1,826,615</u> | <u>\$ 1,410,425</u> | 30 |

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

| | 2011 | | 2010 | |
|---|----------------|----------------|----------------|----------------|
| | Before Tax | After Tax | Before Tax | After Tax |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25) | | | | |
| Basic | <u>\$ 1.24</u> | <u>\$ 1.00</u> | <u>\$ 1.20</u> | <u>\$ 0.92</u> |
| Diluted | <u>\$ 1.14</u> | <u>\$ 0.94</u> | <u>\$ 1.00</u> | <u>\$ 0.77</u> |

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

(With Deloitte & Touche audit report dated March 13, 2012)

(Concluded)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

| | Issued and Outstanding Common Stock | | Issued and Outstanding Preferred Stock (Note 22) | | Capital Surplus (Notes 2 and 22) | | | Retained Earnings (Accumulated Deficit) (Notes 2 and 22) | | | | Other Equity | | | Total Stockholders' Equity | |
|--|-------------------------------------|---------------|--|--------------|----------------------------------|----------------------------|-----------|--|-----------------|---|----------------|--|--|---|----------------------------|---------------|
| | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount | Donated Capital | Treasury Stock Transaction | Total | Legal Reserve | Special Reserve | Unappropriated Earnings (Accumulated Deficit) | Total | Unrealized Gain (Loss) on Financial Assets (Notes 2, 9 and 30) | Cumulative Translation Adjustment (Note 2) | Net Loss Not Recognized as Pension Cost | | Total |
| | | | | | | | | | | | | | | | | |
| BALANCE, JANUARY 1, 2010 | 1,918,824 | \$ 19,188,244 | 400,000 | \$ 4,000,000 | \$ 1,398 | \$ 32,413 | \$ 33,811 | \$ - | \$ - | \$ (5,651,650) | \$ (5,651,650) | \$ 17,065 | \$ 31,662 | \$ (88,902) | \$ (40,175) | \$ 17,530,230 |
| Capital reduction to offset deficit | (467,671) | (4,676,712) | (97,491) | (974,912) | - | - | - | - | - | 5,651,624 | 5,651,624 | - | - | - | - | - |
| Issuance of common stock for merger | 194,838 | 1,948,376 | - | - | - | - | - | - | - | (233,805) | (233,805) | - | - | - | - | 1,714,571 |
| Net income in 2010 | - | - | - | - | - | - | - | - | - | 1,410,425 | 1,410,425 | - | - | - | - | 1,410,425 |
| Change in unrealized gain on available-for-sale finance assets | - | - | - | - | - | - | - | - | - | - | - | 127,783 | - | - | 127,783 | 127,783 |
| Change in recognition of equity-method investments | - | - | - | - | - | - | - | - | - | - | - | 10,276 | (61,870) | - | (51,594) | (51,594) |
| Change in net loss not recognized as pension cost | - | - | - | - | - | - | - | - | - | - | - | - | - | (26,375) | (26,375) | (26,375) |
| Change in translation adjustments | - | - | - | - | - | - | - | - | - | - | - | - | (610,570) | - | (610,570) | (610,570) |
| BALANCE, DECEMBER 31, 2010 | 1,645,991 | 16,459,908 | 302,509 | 3,025,088 | 1,398 | 32,413 | 33,811 | - | - | 1,176,594 | 1,176,594 | 155,124 | (640,778) | (115,277) | (600,931) | 20,094,470 |
| Appropriation of 2010 earnings | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | 352,978 | - | (352,978) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | - | - | - | 823,616 | (823,616) | - | - | - | - | - | - |
| Net income in 2011 | - | - | - | - | - | - | - | - | - | 1,826,615 | 1,826,615 | - | - | - | - | 1,826,615 |
| Change in unrealized loss on available-for-sale finance assets | - | - | - | - | - | - | - | - | - | - | - | (299,774) | - | - | (299,774) | (299,774) |
| Change in recognition of equity-method investments | - | - | - | - | - | - | - | - | - | - | - | (22,523) | 23,096 | - | 573 | 573 |
| Change in net loss not recognized as pension cost | - | - | - | - | - | - | - | - | - | - | - | - | - | (62,238) | (62,238) | (62,238) |
| Special reserve for default and securities trading losses | - | - | - | - | - | - | - | - | 50,857 | - | 50,857 | - | - | - | - | 50,857 |
| Change in translation adjustments | - | - | - | - | - | - | - | - | - | - | - | - | 354,160 | - | 354,160 | 354,160 |
| BALANCE, DECEMBER 31, 2011 | 1,645,991 | 16,459,908 | 302,509 | 3,025,088 | 1,398 | 32,413 | 33,811 | 352,978 | 874,473 | 1,826,615 | 3,054,066 | (167,173) | (263,522) | (177,515) | (608,210) | 21,964,663 |

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

(With Deloitte & Touche audit report dated March 13, 2012)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

| | 2011 | 2010 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 1,826,615 | \$ 1,410,425 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 301,954 | 374,075 |
| Allowance for credit and other losses | 122,734 | 423,484 |
| Amortization of premium on available-for-sale financial assets | 38,575 | 35,768 |
| Amortization of premium on held-to-maturity investments | 18,815 | 11,118 |
| Amortization of discount on no-active market debt instruments | (316,053) | (76,088) |
| Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss | 72,865 | (90,184) |
| Realized gain on sale of available-for-sale financial assets | (19,847) | (131,305) |
| Investment income recognized under the equity method, net | (90,714) | (5,152) |
| Cash dividends received from equity-method investees | 25,611 | 21,917 |
| Gain on sale of financial assets carried at cost | - | (83,905) |
| Gain on sale of debt instruments with no active market | (18,858) | - |
| Impairment losses on assets, net | 291,916 | 279,606 |
| Amortization of loss from disposal of nonperforming loans | 965,261 | 1,587,321 |
| Gain on disposal of collaterals assumed, net | (712) | (145,813) |
| Loss (gain) on disposal of property and equipment, net | (674) | 6,846 |
| Loss on the obsolescence of property and equipment | 810 | 13,210 |
| Deferred income taxes | 223,403 | 219,885 |
| Changes in operating assets and liabilities | | |
| Held-for-trading financial assets | (2,572,520) | (2,227,711) |
| Receivables | 1,621,777 | 3,672,716 |
| Held for trading financial liabilities | 3,942 | (19,047) |
| Payables | 2,008,406 | 532,168 |
| Accrued pension cost | (1,056) | (97) |
| Net cash provided by operating activities | <u>4,502,250</u> | <u>5,809,237</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in due from the Central Bank and other banks | (40,457,492) | (2,975,621) |
| Decrease (increase) in financial assets designated as at fair value through profit or loss | (2,671,739) | 50,313 |
| Decrease (increase) in securities purchased under resell agreements | (212,126) | 250,453 |
| Increase in discounts and loans | (1,048,064) | (20,100,442) |
| Proceeds of the disposal of available-for-sale financial assets | 3,496,832 | 11,869,859 |
| Capital return on available-for-sale financial assets | 983,000 | 295,000 |
| Acquisition of available-for-sale financial assets | (6,085,181) | (6,557,087) |
| Capital return on held-to-maturity investments | 2,005,929 | 7,208,662 |
| Acquisition of held-to-maturity investments | (52,125) | (305,254) |
| Proceeds of the disposal of no active market debt instruments | 4,309,903 | - |
| Acquisition of investments accounted for by the equity method | - | (60,550) |
| Proceeds of the capital reduction of investee | 2,130 | 3,195 |

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

| | 2011 | 2010 |
|--|---------------------|---------------------|
| Received principal on debt instruments with no active market | \$ 18,181,193 | \$ 51,461,371 |
| Acquisition of debt instruments with no active market | (16,000,380) | (52,862,192) |
| Decrease (increase) in other financial assets | 1,334,936 | (841,677) |
| Acquisition of property and equipment | (87,915) | (114,737) |
| Proceeds of the disposal of property and equipment | 785 | 32,018 |
| Proceeds of the disposal of collaterals assumed | 215,683 | 1,043,914 |
| Increase in other assets | (60,558) | (24,916) |
| Acquisition of cash and equivalents from merger | <u>-</u> | <u>896,765</u> |
| Net cash used in investing activities | <u>(36,145,189)</u> | <u>(10,730,926)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in call loans and due to banks | (3,280,090) | (7,801,427) |
| Increase in securities sold under repurchase agreements | 925,247 | 3,504,638 |
| Increase in deposits and remittances | 33,151,056 | 18,481,663 |
| Increase in other financial liabilities | 19,825 | 74,349 |
| Decrease in other liabilities | (28,429) | (343,568) |
| Issuance of bank debentures | 2,000,000 | - |
| Decrease in bank debentures | <u>(2,000,000)</u> | <u>(5,000,000)</u> |
| Net cash provided by financing activities | <u>30,787,609</u> | <u>8,915,655</u> |
| EFFECT OF EXCHANGE RATE CHANGES | <u>301,644</u> | <u>(610,570)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (553,686) | 3,383,396 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>8,944,278</u> | <u>5,560,882</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 8,390,592</u> | <u>\$ 8,944,278</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest paid | <u>\$ 2,800,638</u> | <u>\$ 2,553,928</u> |
| Income tax paid | <u>\$ 191,962</u> | <u>\$ 53,165</u> |

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

(With Deloitte & Touche audit report dated March 13, 2012)

(Concluded)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(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, which cover deposits, loans, discounts, remittances, acceptances, issuance of guarantees and letters of credit, short-term bills transactions, investments, foreign exchange transactions, savings, trust, etc.

On the Bank’s merger with Chung Shing Bank, the Bank took over all of the assets, liabilities and operating units of Chung Shing Bank on March 19, 2005.

The Bank merged with the Union Bills Finance Corporation (UBF) on August 16, 2010, with the Bank as the survivor entity. Please refer to Note 34 for more merger information.

As of December 31, 2011, the Bank’s operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 87 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, 2011 and 2010, the Bank had 3,111 and 2,975 employees, respectively.

2. 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, the Criteria Governing the Preparation of Financial Reports by Securities Firms, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC).

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 in accordance with 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:

Foreign Currencies

Nonderivative 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 are 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. These adjustments are accumulated and reported as a separate component of stockholders' equity.

Accounting Estimates

Under the above guidelines, law and principles, certain estimates and assumptions have been used for the fair values of financial assets and liabilities; the allowance for doubtful accounts; depreciation of property and equipment; income tax; pension cost; loss on pending litigations; asset impairment; allowance for losses on guarantees; bonuses to employees, directors and supervisors; etc. Actual results may differ from these estimates.

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.

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.

Financial Assets and Liabilities 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 loses 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 (settlement date basis).

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. This FVTPL designation applies to some derivative instruments and debt investments that do not qualify for hedge accounting. If the hedging items are not designated as financial instruments at fair value through profit or loss, an accounting inconsistency will arise because the profits or losses resulting from the hedged items will not be recognized during the same period as that for profits and losses generated on the hedging items. To avoid this kind of inconsistency, the Bank designated derivatives and debt investments as financial instruments at fair value through profit or loss.

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 subsequent to 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. All regular way 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 as 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 on 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 that occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. However, the straight-line method is used if there are no significant differences between the results of using the effective interest method and the straight-line method. 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 way purchases or sales of financial assets are accounted for using a trade 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 that 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.

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 as 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 these bond investments is the same as that for held-to-maturity financial assets, except for the absence of restriction on the timing of their disposal.

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 when this classification is approved by the board of directors. Nonperforming loans reclassified from loans are classified as discounts and loans; otherwise, these loans are classified as other financial assets.

Allowances for Credit Losses and for Losses on Guarantees

In determining the allowances for credit losses and for losses on guarantees, the Bank assesses the collectibility of 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.

Under 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 uncollectible; the minimum allowances for credit losses and for losses on guarantees for the non-normal loans should be 2%, 10%, 50% and 100% of outstanding credits, respectively.

Later, the MOF issued a guideline stating that, within three years from January 1, 2011, the normal loans should have a minimum allowance of 0.5%, with the allowances for the four non-normal loans remaining the same. The Bank believes it can meet this new allowance requirement within three years from January 1, 2011.

Loan write-offs that are made in accordance with MOF guidelines and with the board of directors' approval are offset against the recorded allowance for credit losses.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Bank adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Bank should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of accounts receivable could include the Bank's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Impairment of Assets

If the recoverable amount of an asset (mainly property and equipment, intangible assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a reduction of the unrealized revaluation increment and any remaining loss is charged to earnings.

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. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as 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 the purpose of 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 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 own recoverable amount for the purpose of impairment testing.

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.

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of 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 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, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

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 an equity-method investee are eliminated in proportion to the Bank's percentage of ownership in the investee.

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. 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 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 stockholders of the investee. If the investee subsequently reports profits, these profits are first attributed to 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 their respective accounts. Any resulting gain (loss) is credited (charged) to current income.

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.

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 the balance sheet date.

Other Assets

Deferred charges, which include the 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 is amortized over 60 months in accordance with Rule No. 15 of the Financial Institution Consolidation Law (Note 15).

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.

Curtailment or settlement gains or losses on the defined benefit plan are recognized as part of the net pension cost for the year.

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.

Reserve for Default Losses

Under the regulations of the Securities and Futures Bureau (SFB), the Bank will provide a default reserve equal to 0.0028% of the total consigned trades monthly until the accumulated reserve reaches \$200,000 thousand. This reserve is used only to offset actual losses resulting from customers' default or other losses as approved by the SFB.

Reserve for Securities Trading Losses

Under the regulations issued by the SFB, the Bank recognizes a trading loss reserve monthly at 10% of the net gain on sale of securities until this reserve reaches \$200,000 thousand. It should be used only to offset actual losses on the sale of securities.

Under the Financial Supervisory Commission letter No. 09900738571 released on January 11, 2011, securities firms became no longer required to recognize the reserve for default losses and reserve for securities trading losses from January 1, 2011.

Income Tax

The Bank applies the intra-year and inter-year allocation methods to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Tax credits for research and development 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.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve the retention of earnings.

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 and recognized as revenue upon collection.

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

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.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Bank adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." Among the main revisions is the inclusion of loans and receivables originated by the Bank among the items now covered by SFAS No. 34.

Operating Segments

On January 1, 2011, the Bank adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment information be disclosed on the basis of the information about the components of the Bank that management uses to make operating decisions. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Bank restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Cash on hand | \$ 3,730,621 | \$ 3,256,466 |
| Checks for clearing | 3,635,427 | 1,639,146 |
| Due from banks | <u>1,024,544</u> | <u>4,048,666</u> |
| | <u>\$ 8,390,592</u> | <u>\$ 8,944,278</u> |

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

| | <u>December 31</u> | |
|---|-----------------------|----------------------|
| | 2011 | 2010 |
| Due from the Central Bank | | |
| Deposit reserve - checking account | \$ 7,343,378 | \$ 3,652,952 |
| Required deposit reserve | 8,408,101 | 7,642,173 |
| Deposit reserve - foreign-currency deposits | 30,290 | 29,152 |
| Deposit account in Central Bank | <u>86,000,000</u> | <u>50,000,000</u> |
| | <u>\$ 101,781,769</u> | <u>\$ 61,324,277</u> |

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 rates prescribed for balances of foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earning.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|--|--------------------|--------------|
| | 2011 | 2010 |
| <u>Financial assets held for trading</u> | | |
| Commercial paper | \$ 3,575,646 | \$ 2,618,625 |
| Negotiable certificates of deposit | 1,512,400 | - |
| Domestic quoted stocks | 98,257 | 33,093 |

(Continued)

| | December 31 | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| Government bonds | \$ 51,983 | \$ 52,741 |
| Corporate bonds | 50,735 | 51,004 |
| Forward exchange contracts | 110,757 | 164,207 |
| Currency swap contracts | 8,033 | 5,152 |
| Option contracts | 997 | 7,491 |
| | <u>5,408,808</u> | <u>2,932,313</u> |
| <u>Financial assets designated as at fair value through profit or loss</u> | | |
| Corporate bonds | <u>2,758,735</u> | <u>85,510</u> |
| | <u>\$ 8,167,543</u> | <u>\$ 3,017,823</u> |
| <u>Financial liabilities held for trading</u> | | |
| Forward exchange contracts | \$ 32,292 | \$ 43,947 |
| Currency swap contracts | 563 | 168 |
| Option contracts | 997 | 7,469 |
| | <u>\$ 33,852</u> | <u>\$ 51,584</u> |
| | | (Concluded) |

The Bank engaged in derivative transactions in 2011 and 2010 mainly to accommodate customers' needs and manage its exposure positions. The financial risk management object of the Bank was 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, 2011 and 2010 were as follows:

| | December 31 | |
|----------------------------|--------------------|--------------|
| | 2011 | 2010 |
| Forward exchange contracts | \$ 9,271,383 | \$ 7,125,486 |
| Currency swap contracts | 15,762,905 | 8,450,517 |
| Option contracts | | |
| Buy | 503,266 | 440,489 |
| Sell | 503,266 | 440,489 |

The gains or losses on financial assets and liabilities at fair value through profit or loss in 2011 and 2010 were as follows:

| | 2011 | 2010 |
|---|------------------|-------------------|
| Net gain on financial assets at fair value through profit or loss | \$ 123,034 | \$ 201,421 |
| Net gain (loss) on financial liabilities at fair value through profit or loss | <u>(102,897)</u> | <u>86,082</u> |
| Gain, net | <u>\$ 20,137</u> | <u>\$ 287,503</u> |
| Realized gain | \$ 93,002 | \$ 197,319 |
| Unrealized gain (loss) | <u>(72,865)</u> | <u>90,184</u> |
| Gain, net | <u>\$ 20,137</u> | <u>\$ 287,503</u> |

The financial instruments at fair value through profit or loss amounting to \$3,677,469 thousand and \$2,722,740 thousand as of December 31, 2011 and 2010 had been sold under repurchase agreements.

7. RECEIVABLES, NET

| | <u>December 31</u> | |
|--|----------------------|----------------------|
| | 2011 | 2010 |
| Accounts receivable | \$ 13,480,088 | \$ 15,139,486 |
| Asset-backed commercial paper | 1,561,672 | 1,608,794 |
| Interest receivable | 605,686 | 612,842 |
| Interbank clearing fund receivable | 300,685 | 304,458 |
| Income tax refund receivable | 145,259 | 268,013 |
| Receivable on disposal of property and equipment | 138,783 | 309,605 |
| Acceptances receivable | 106,760 | 131,767 |
| Collection receivable | 64,244 | 62,880 |
| Others | <u>15,062</u> | <u>84,762</u> |
| | 16,418,239 | 18,522,607 |
| Less: Allowance for credit losses | <u>1,331,578</u> | <u>1,714,169</u> |
| | <u>\$ 15,086,661</u> | <u>\$ 16,808,438</u> |

8. DISCOUNTS AND LOANS, NET

| | <u>December 31</u> | |
|-----------------------------------|-----------------------|-----------------------|
| | 2011 | 2010 |
| Discounts and overdraft | \$ 87,178 | \$ 118,064 |
| Accounts receivable - financing | 99,528 | 133,336 |
| Loans | | |
| Short-term - unsecured | 15,163,198 | 14,734,833 |
| - secured | 35,873,027 | 28,246,782 |
| Medium-term - unsecured | 8,511,019 | 9,812,574 |
| - secured | 27,165,831 | 24,847,313 |
| Long-term - unsecured | 5,964,654 | 7,824,029 |
| - secured | 99,023,101 | 103,958,979 |
| Import and export negotiations | 117,814 | 84,434 |
| Overdue loans | <u>601,434</u> | <u>1,332,448</u> |
| | 192,606,784 | 191,092,792 |
| Less: Allowance for credit losses | <u>1,926,791</u> | <u>1,435,693</u> |
| | <u>\$ 190,679,993</u> | <u>\$ 189,657,099</u> |

As of December 31, 2011 and 2010, the balances of nonaccrual loans were \$601,434 thousand and \$1,332,448 thousand, respectively. The unrecognized interest revenues on nonperforming loans were \$13,334 thousand in 2011 and \$54,408 thousand in 2010.

In 2011 and 2010, the Bank wrote off certain credits after completing the required legal procedures.

As discussed in Note 3 to the financial statements, the Bank assessed the impairment loss of loans and receivables on the basis of a newly revised Statement of Financial Accounting Standard (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." As a result, no impairment loss was recognized on due from the Central Bank and other banks. Impairment of other loans and accounts receivable are summarized as follows:

Loans

| Items | | Gross Loans | Allowance for Possible Losses |
|--|--------------------------------|-------------------|-------------------------------|
| | | December 31, 2011 | December 31, 2011 |
| With objective evidence of impairment | Assessed individual impairment | \$ 3,030,153 | \$ 1,229,267 |
| | Assessed collective impairment | 639,371 | 179,015 |
| With no objective evidence of impairment | Assessed collective impairment | 189,273,888 | 518,509 |

Note 1: The amount of gross loans does not include the allowance for possible losses or discounts (premiums).

Note 2: The amount of gross loans include the interests receivable of \$229,868 thousand and acceptances receivable amounting to \$106,760 thousand.

Receivables

| Items | | Gross Receivables | Allowance for Possible Losses |
|--|--------------------------------|-------------------|-------------------------------|
| | | December 31, 2011 | December 31, 2011 |
| With objective evidence of impairment | Assessed individual impairment | \$ 2,132,606 | \$ 1,032,924 |
| | Assessed collective impairment | 2,745,424 | 246,000 |
| With no objective evidence of impairment | Assessed collective impairment | 10,805,448 | 52,654 |

Note 1: The amount of gross receivables does not include the allowance for possible losses or discounts (premiums).

Note 2: The amount of gross receivables does not include the amounts of interests receivable of \$229,868 thousand, acceptances receivable amounting to \$106,760 thousand, refundable income tax of \$145,259 thousand, interest receivable of \$251,693 thousand on financial assets and liabilities and others amounting to \$1,181 thousand.

Note 3: The financial reports for the six months ended June 30, 2011 and for the year ended December 31, 2011 do not need to contain comparative information.

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

| | 2011 | 2010 |
|--|---------------------|---------------------|
| Balance, beginning of year | \$ 3,149,862 | \$ 3,400,100 |
| Provision | 121,500 | 409,502 |
| Write-off | (1,013,709) | (1,756,459) |
| Recovery of written-off credits | 1,009,770 | 922,326 |
| Merger with Union Bill Finance Corporation | - | 176,289 |
| Reclassifications | (9,857) | - |
| Effects of changes in foreign exchange rates | <u>803</u> | <u>(1,896)</u> |
| Balance, end of year | <u>\$ 3,258,369</u> | <u>\$ 3,149,862</u> |

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | |
|------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Government bonds | \$ 2,707,520 | \$ 1,804,883 |
| Corporate bonds | 2,393,246 | 3,137,901 |
| Mutual funds | 904,568 | 366,672 |
| Domestic quoted stocks | 769,179 | 506,408 |
| Overseas quoted stocks | <u>742,383</u> | <u>414,185</u> |
| | <u>\$ 7,516,896</u> | <u>\$ 6,230,049</u> |

The available-for-sale financial assets amounting to \$4,254,626 thousand and \$4,076,647 thousand as of December 31, 2011 and 2010, respectively, had been sold under repurchase agreements.

Entie Securities Finance Company (“Entie Finance”), an investee of the Bank, merged with and was absorbed by the Capital Group on March 1, 2010. Based on the Operating Rules of the Taiwan Stock Exchange Corporation, the common shares held by the Bank, which had been newly issued by the Capital Group for its merger with the Bank, should be placed in centralized custody with the Taiwan Securities Central Depository Co., Ltd. Half of these shares may be withdrawn after six months from their listing date. The remaining shares may all be withdrawn after a year from their listing date.

10. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31 | |
|------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Government bonds | \$ 664,350 | \$ 1,435,157 |
| Corporate bonds | 399,871 | 399,754 |
| Asset-based securities | <u>248,794</u> | <u>1,437,723</u> |
| | <u>\$ 1,313,015</u> | <u>\$ 3,272,634</u> |

The held-to-maturity investments amounting to \$214,574 thousand and \$1,429,903 thousand as of December 31, 2011 and 2010, respectively, had been sold under repurchase agreements.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

| | December 31 | | | |
|---|---------------------|-------------------|---------------------|-------------------|
| | 2011 | | 2010 | |
| | Amount | Holding Ratio (%) | Amount | Holding Ratio (%) |
| Union Finance and Leasing International Corporation | \$ 806,789 | 100.00 | \$ 738,898 | 100.00 |
| Union Security Investment Trust Corporation | 121,178 | 35.00 | 116,145 | 35.00 |
| Union Finance International (H.K.) Limited | 80,941 | 99.99 | 93,221 | 99.99 |
| Union Real-Estate Management Corporation | 66,721 | 40.00 | 54,045 | 40.00 |
| Union Insurance Broker Company | 24,793 | 100.00 | 25,424 | 100.00 |
| Union Information Technology Corporation | <u>14,372</u> | 99.99 | <u>22,843</u> | 99.99 |
| | <u>\$ 1,114,794</u> | | <u>\$ 1,050,576</u> | |

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

| | Years Ended December 31 | |
|---|-------------------------|-----------------|
| | 2011 | 2010 |
| Union Finance and Leasing International Corporation | \$ 62,941 | \$ 10,145 |
| Union Security Investment Trust Corporation | 5,033 | 1,554 |
| Union Finance International (H.K.) Limited | 2,566 | 3,305 |
| Union Real-Estate Management Corporation | 12,676 | 271 |
| Union Insurance Broker Company | 15,969 | 18,384 |
| Union Information Technology Corporation | (8,471) | (1,750) |
| Union Bills Finance Corporation | <u>-</u> | <u>(26,757)</u> |
| | <u>\$ 90,714</u> | <u>\$ 5,152</u> |

On the available-for-sale financial assets held by the Bank's subsidiaries, the unrealized loss of \$22,523 thousand in 2011 and the unrealized gain of \$10,276 thousand in 2010 were included in stockholders' equity.

In June 2010, Union Security Investment Trust Corporation issued 17,300 thousand shares and then reduced its capital to offset its deficit. The Bank proportionately subscribed for 6,055 thousand shares amounting to \$60,550 thousand.

Union Bills Finance Corporation merged with the Bank on August 16, 2010, with the Bank as survivor entity. For further information, please refer to Note 34.

12. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Unquoted stocks | | |
| 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 | <u>110,419</u> | <u>112,549</u> |
| | <u>\$ 450,451</u> | <u>\$ 452,581</u> |

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.

13. NO-ACTIVE MARKET DEBT INSTRUMENTS

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | 2011 | 2010 |
| Asset-based securities | \$ 44,723,018 | \$ 50,877,566 |
| Securitized beneficial certificates of securitization | <u>-</u> | <u>1,257</u> |
| | <u>\$ 44,723,018</u> | <u>\$ 50,878,823</u> |

The no-active market debt instruments amounting to \$37,547,378 thousand and \$34,541,660 thousand as of December 31, 2011 and 2010, respectively, had been sold under repurchase agreements.

14. PROPERTY AND EQUIPMENT

| | <u>December 31</u> | |
|--------------------------------|----------------------|----------------------|
| | 2011 | 2010 |
| Cost | \$ <u>10,556,562</u> | \$ <u>10,518,549</u> |
| Less: Accumulated depreciation | | |
| Buildings | 848,000 | 739,956 |
| Machinery and equipment | 1,247,404 | 1,251,702 |
| Transportation equipment | 229,498 | 220,377 |
| Leasehold improvements | <u>287,770</u> | <u>255,688</u> |
| | <u>2,612,672</u> | <u>2,467,723</u> |
| Prepayments for equipment | <u>12,811</u> | <u>38,657</u> |
| Net property and equipment | <u>\$ 7,956,701</u> | <u>\$ 8,089,483</u> |

15. OTHER ASSETS

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | 2011 | 2010 |
| Deferred tax assets, net (Note 24) | \$ 3,145,535 | \$ 3,323,224 |
| Collaterals assumed, net | 297,951 | 546,392 |
| Deferred charges | 138,523 | 177,804 |
| Prepayments | 132,119 | 113,051 |
| Deferred loss from disposal of nonperforming loans | - | 965,255 |
| Other | <u>809</u> | <u>2,222</u> |
| | <u>\$ 3,714,937</u> | <u>\$ 5,127,948</u> |

In 2006, the Bank sold to Morgan Stanley Union Bank Asset Management Corporation (MSUB) nonperforming loans with a carrying value of \$9,557,282 thousand at the contract price of \$1,610,025 thousand and recognized a loss of \$7,947,257 thousand. The Bank deferred and amortized this loss 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 would have increased by \$965,261 thousand in 2011 and \$1,587,321 thousand in 2010, and the balances of the other assets and unappropriated earnings as of December 31, 2010 would have decreased by \$965,255 thousand.

As of December 31, 2011 and 2010, the remaining payments of \$138,783 thousand and \$309,601 thousand, respectively, on the above transaction had not been received from MSUB.

After evaluating the net fair value of the collaterals assumed, the Bank recognized impairment losses of \$37,140 thousand in 2011 and \$173,146 thousand in 2010.

16. GOODWILL

The Bank acquired Chung Shing Bank (“Chung Shing”) on March 19, 2005 and 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, the amortization of goodwill became no longer required from January 1, 2006.

The Bank merged with Union Bills Finance Corporation on August 16, 2010 and recognized goodwill amounting to \$130,498 thousand. For further information, please refer to Note 34.

For the impairment test on Chung Shing, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger 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 \$254,776 thousand in 2011 and \$125,651 thousand in 2010. As of December 31, 2011 and 2010, the balances of accumulated impairment were \$768,289 thousand and \$513,513 thousand, respectively.

17. CALL LOANS AND DUE TO OTHER BANKS

| | December 31 | |
|---|---------------------|----------------------|
| | 2011 | 2010 |
| Due to Chunghwa Post Co., Ltd. | \$ 6,972,990 | \$ 10,225,910 |
| Due to the Central Bank and other banks | 23,492 | 50,974 |
| Overdraft | <u>10,774</u> | <u>10,462</u> |
| | <u>\$ 7,007,256</u> | <u>\$ 10,287,346</u> |

18. PAYABLES

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| Notes and checks in clearing | \$ 3,635,427 | \$ 1,639,146 |
| Interest payable | 813,803 | 730,318 |
| Accrued expenses | 477,025 | 381,256 |
| Tax payable | 163,344 | 249,808 |
| Collection payable | 154,184 | 131,120 |
| Bank acceptances payable | 108,719 | 134,883 |
| Accounts payable on wire transfers received | 67,440 | 63,400 |
| Trust fund payable | 8,584 | 51,497 |
| Others | <u>418,776</u> | <u>457,468</u> |
| | <u>\$ 5,847,302</u> | <u>\$ 3,838,896</u> |

19. DEPOSITS AND REMITTANCES

| | <u>December 31</u> | |
|------------------------------------|-----------------------|-----------------------|
| | 2011 | 2010 |
| Savings deposits | \$ 213,217,552 | \$ 194,756,958 |
| Time deposits | 61,012,350 | 52,125,463 |
| Demand deposits | 43,028,473 | 38,225,437 |
| Checking deposits | 4,356,838 | 3,579,848 |
| Negotiable certificates of deposit | 1,033,900 | 736,600 |
| Inward and outward remittances | <u>107,797</u> | <u>181,548</u> |
| | <u>\$ 322,756,910</u> | <u>\$ 289,605,854</u> |

20. BANK DEBENTURES

| | <u>December 31</u> | | Term |
|---|---------------------|---------------------|---|
| | 2011 | 2010 | |
| First subordinated bank debentures issued in 2005 | \$ - | \$ 2,000,000 | Fixed interest rate of 2.60%; maturity: June 2011 |
| First subordinated bank debentures issued in 2006 - class A | 1,190,000 | 1,190,000 | 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 | 900,000 | Fixed interest rate of 2.95%; maturity: June 2016 |
| First subordinated bank debentures issued in 2011 | 2,000,000 | - | Fixed interest rate of 2.78%; maturity: June 2018 |
| | <u>\$ 4,890,000</u> | <u>\$ 4,890,000</u> | |

21. 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 \$88,298 thousand in 2011 and \$81,448 thousand in 2010.

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 \$43,628 thousand in 2011 and \$38,849 thousand in 2010.

Information on the defined benefit plan is as follows:

a. Components of net periodic pension cost

| | Year Ended December 31 | |
|---------------------------------|-------------------------------|------------------|
| | 2011 | 2010 |
| Service cost | \$ 19,011 | \$ 21,153 |
| Interest cost | 22,441 | 17,354 |
| Projected return on plan assets | (10,697) | (9,832) |
| Amortization | | |
| Prior service cost | (519) | (519) |
| Loss of pension cost | 16,865 | 12,611 |
| Curtailment or settlement gain | <u>(3,473)</u> | <u>(1,918)</u> |
| Net periodic pension cost | <u>\$ 43,628</u> | <u>\$ 38,849</u> |

b. Reconciliation of funded status of the plan and accrued pension cost

| | December 31 | |
|--|---------------------|---------------------|
| | 2011 | 2010 |
| Benefit obligation | | |
| Vested benefit obligation | \$ (126,789) | \$ (99,989) |
| Non-vested benefit obligation | <u>(623,080)</u> | <u>(553,789)</u> |
| Accumulated benefit obligation | (749,869) | (653,778) |
| Additional benefits based on future salaries | <u>(390,111)</u> | <u>(351,379)</u> |
| Projected benefit obligation | (1,139,980) | (1,005,157) |
| Fair value of plan assets | <u>567,150</u> | <u>532,241</u> |
| Funded status | (572,830) | (472,916) |
| Unrealized net prior service cost | (4,344) | (4,894) |
| Unrecognized net loss | 571,970 | 471,551 |
| Additional liability | <u>(177,515)</u> | <u>(115,278)</u> |
| Accrued pension cost (included in other liabilities) | <u>\$ (182,719)</u> | <u>\$ (121,537)</u> |
| Vested benefits | <u>\$ (140,119)</u> | <u>\$ (111,559)</u> |

- c. Actuarial assumptions as of December 31, 2011 and 2010

| | December 31 | |
|--|-------------------------------|--------------------|
| | 2011 | 2010 |
| Discount rate used in determining present values | 2.00% | 2.25% |
| Future salary increase rate | 3.00% | 3.00% |
| Expected rate of return on plan assets | 2.00% | 2.00% |
| | Year Ended December 31 | |
| | 2011 | 2010 |
| d. Contributions to the fund | <u>\$ 44,038</u> | <u>\$ 57,218</u> |
| e. Payments from the fund | <u>\$ (16,410)</u> | <u>\$ (19,536)</u> |

22. 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\$10.00 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. 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. 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 a year after 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.

To improve the Bank's financial structure, the board of directors of the Bank approved on May 19, 2010 a capital reduction to offset its deficit of \$5,651,624 thousand by decreasing common stock by 467,671 thousand shares and preferred stock by 97,491 thousand shares, for a total of 565,162 thousand shares equal to a capital reduction of 24.3728%.

The Bank merged with Union Bills Finance Corporation (UBF) on August 16, 2010 by issuing 194,838 thousand common shares to the stockholders of UBF (see Note 34) at NT\$8.8 per share and consequently debited \$233,805 thousand to retained earnings. After the merger, the issued capital of the Bank amounted to \$19,484,996 thousand, including \$3,025,088 thousand in preferred shares.

- b. Capital surplus

Under the Company Law, capital surplus may be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized within a certain percentage of the Bank's paid-in capital. Under the revised Company Law issued on January 4, 2012, the foregoing capital surplus may be distributed in cash. However, capital surplus from long-term 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 estimated bonus to employees and remuneration to directors and supervisors, which were at least 10% of net income (net of legal reserve, special reserve and dividends) and 5%, respectively, of unappropriated earnings (net income abovementioned and net of the bonus to employees plus accumulated unappropriated earnings from prior years) were recognized for 2011. The amounts were estimated on the basis of past experiences. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. 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.

Based on a directive issued by the Securities and Futures Bureau (SFB), 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) should 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 earnings appropriation.

The appropriations from earnings for 2010 were approved in the stockholders' meeting on June 9, 2011. The appropriations were as follows:

| | 2010 |
|-----------------|-------------|
| Legal reserve | \$ 352,978 |
| Special reserve | 823,616 |

The appropriations from the 2011 earnings were proposed by the board of directors on March 7, 2012. The appropriations, including the dividends per share, were as follows:

| | Appropriation of Earnings | Dividends Per Share (NT\$) |
|-------------------------------------|--------------------------------------|---------------------------------------|
| Legal reserve | \$ 547,984 | |
| Stock dividends on common shares | 658,396 | \$0.4 |
| Cash dividends on preferred shares | 757,611 | 0.6 |
| Stock dividends on preferred shares | 121,004 | 0.4 |

The 2011 appropriations of earnings, bonus to employees and remuneration to directors and supervisors will be presented to the stockholders in their meeting on June 22, 2012.

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

Legal reserve should be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

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.

Based on the Financial Supervisory Commission's Letter No. 09900738571 released in January 2011, securities firms are required to transfer their accumulated reserve for default losses and reserve for securities trading losses up to December 31, 2010 to special reserves.

In 2011, the Bank transferred its reserve for default losses of \$48,589 thousand, reserve for securities trading losses of \$10,528 thousand, and deferred income tax assets amounting to \$8,260 thousand, which totaled \$50,857 thousand in 2010, to special reserve.

The above special reserve may be used only for capitalizing half of it if the reserve has reached at least 50% of the paid-in capital or for offsetting a deficit.

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

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Personnel expenses | | |
| Salaries and wages | \$ 1,568,821 | \$ 1,476,573 |
| Bonus and rewards | 453,740 | 384,154 |
| Labor insurance and national health insurance | 175,387 | 157,870 |
| Pension | 131,926 | 121,474 |
| Other | <u>17,012</u> | <u>8,443</u> |
| | <u>\$ 2,346,886</u> | <u>\$ 2,148,514</u> |
| Depreciation | <u>\$ 219,776</u> | <u>\$ 266,864</u> |
| Amortization | <u>\$ 82,178</u> | <u>\$ 107,211</u> |

24. INCOME TAX EXPENSE

A reconciliation of income tax expense based on income before income tax at the statutory rates of 17% and income tax expense was as follows:

| | <u>Years Ended December 31</u> | |
|--|--------------------------------|-------------------|
| | 2011 | 2010 |
| Income tax expense at the statutory rate | \$ 377,635 | \$ 311,527 |
| Tax effect of adjusting items: | | |
| Permanent differences | | |
| Tax-exempt income | (340,028) | (449,872) |
| Others | (8,774) | (3,489) |
| Temporary differences | 65,296 | 72,657 |
| Loss carryforwards used | (94,129) | - |
| Loss carryforwards | - | 69,177 |
| Additional income tax under the Alternative Minimum Tax Act | <u>191,030</u> | <u>198,022</u> |
| Current income tax expense | 191,030 | 198,022 |
| Deferred income tax expense | | |
| Temporary differences | (44,520) | (50,883) |
| Investment tax credits | 6,424 | 5,792 |
| Loss carryforwards produced | 142,124 | 332,818 |
| Effect of tax law changes on deferred income tax | - | 650,799 |
| Adjustment in valuation allowance due to changes in tax laws | - | (124,752) |
| Other adjustment in valuation allowance | 119,375 | (593,889) |
| Tax separately levied on interest from short-term bills | - | 3 |
| Adjustments for prior years' tax | <u>(19,668)</u> | <u>4,177</u> |
| | <u>\$ 394,765</u> | <u>\$ 422,087</u> |

Deferred income tax assets (liabilities) were as follows:

| | December 31 | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| Loss carryforwards | \$ 3,303,701 | \$ 3,445,826 |
| Investment tax credit | 3,082 | 9,506 |
| Reserve for default | 452 | 8,683 |
| Unrealized loss on collaterals assumed | 15,917 | 9,603 |
| Impairment loss on financial assets | 164,105 | 164,105 |
| Allowance for credit losses | 201,575 | 180,418 |
| Unrealized valuation gain on derivative instruments | (13,285) | (19,592) |
| Investment loss under the equity method | 729 | 1,165 |
| Amortization of goodwill | (344,266) | (383,142) |
| Unrealized exchange gains or losses | (6,771) | 21,168 |
| Accrued pension cost | (1,261) | (1,473) |
| Cumulative translation adjustments | <u>53,974</u> | <u>-</u> |
| | 3,377,952 | 3,436,267 |
| Less: Allowance for valuation of deferred income tax assets | <u>232,417</u> | <u>113,043</u> |
| Net deferred income tax assets (included in other assets) | <u>\$ 3,145,535</u> | <u>\$ 3,323,224</u> |

Under the Financial Institution Merger Act, the loss carryforwards from deferred income tax assets were recalculated on the basis of the proportion of shares in the surviving entity held by the Bank's stockholders after the merger, and the recalculated loss carryforwards can be deducted from taxable income of the next five years.

As of December 31, 2011, investment tax credits comprised the following:

| Laws and Statutes | Tax Credit Source | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|--------------------------|--|--|------------------------|
| Statute for Upgrading Industries | Personnel training | \$ 1,882 | \$ 1,882 | 2012 |
| | expenditures | <u>1,200</u> | <u>1,200</u> | 2013 |
| | | <u>\$ 3,082</u> | <u>\$ 3,082</u> | |

Loss carryforwards as of December 31, 2011 comprised the following:

| Unused Amount | Expiry Year |
|----------------------|--------------------|
| \$ 432,449 | 2013 |
| 1,514,764 | 2015 |
| 2,673,860 | 2016 |
| 7,360,995 | 2017 |
| 3,598,322 | 2018 |
| 3,654,973 | 2019 |
| <u>198,175</u> | 2020 |
| <u>\$ 19,433,538</u> | |

The Bank's income tax returns through 2007 had been examined and cleared by the tax authorities.

As of December 31, 2011 and 2010, the balances of the imputation credits allocable to the stockholders were \$386,199 thousand and \$412,712 thousand, respectively.

The creditable ratios for the distribution of earnings of 2011 and 2010 were 20.48% (estimate) and 20.48% (actual), respectively.

For the distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocable to stockholders of the Bank is based on the balance of the ICA as of the date of dividend distribution. Thus, the expected creditable ratio for the 2011 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

25. EARNINGS PER SHARE

The Bank issued convertible preferred stock, which could be transferred to common stock 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.

The numerators and denominators used in computing EPS are summarized as follows:

| | <u>Numerator (Amounts)</u> | | <u>Denominator (Shares in Thousands)</u> | <u>Earnings Per Share (NT\$)</u> | |
|---|----------------------------|---------------------|--|--------------------------------------|------------------|
| | <u>Pretax</u> | <u>After Tax</u> | | <u>Pretax</u> | <u>After Tax</u> |
| <u>2011</u> | | | | | |
| Basic EPS | \$ 2,221,380 | \$ 1,826,615 | 1,645,991 | | |
| Less: Preferred dividends | <u>(181,505)</u> | <u>(181,505)</u> | | | |
| Basic EPS | | | | | |
| Income for the year attributable to common stockholders | 2,039,875 | 1,645,110 | | <u>\$ 1.24</u> | <u>\$ 1.00</u> |
| Effect of potential dilutive convertible preferred stock | <u>181,505</u> | <u>181,505</u> | <u>302,509</u> | | |
| Diluted EPS | <u>\$ 2,221,380</u> | <u>\$ 1,826,615</u> | <u>1,948,500</u> | <u>\$ 1.14</u> | <u>\$ 0.94</u> |
| <u>2010</u> | | | | | |
| Basic EPS | \$ 1,832,512 | \$ 1,410,425 | 1,524,818 | <u>\$ 1.20</u> | <u>\$ 0.92</u> |
| Effect of potential dilutive convertible preferred stock | <u>-</u> | <u>-</u> | <u>302,509</u> | | |
| Diluted EPS | <u>\$ 1,832,512</u> | <u>\$ 1,410,425</u> | <u>1,827,327</u> | <u>\$ 1.00</u> | <u>\$ 0.77</u> |

26. RELATED-PARTY TRANSACTIONS

In addition to those disclosed 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 Securities Investment Trust Corporation (USITC) | Subsidiary |
| Union Capital (Cayman) Corp. | Subsidiary of UFLIC |
| New Asian Ventures Ltd. | Subsidiary of UFLIC |
| Union Bills Finance Corporation (UBF) | Subsidiary (merged with the Bank on August 16, 2010, with the Bank as survivor entity) |
| Union Real-Estate Management Corporation | 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 |
| 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 |
| Jiang Jhen Syong | Director |
| Lin Ci Yong | Supervisor |
| Bao Xing Investment Corporation | Supervisor |
| Yu-Pang Co., Ltd. (“Yu-Pang”) | Supervisor |
| Li Tsai Jhao Mei | Wife of the Bank’s director |
| T-Movies Theater Co. | Wife of the Bank’s director, Lee Yu Quan, is its chairman. |
| Yu Quan Kai Fa Co., Ltd. | The wife of the Bank’s director, Lee Yu Quan, is its chairman. |
| Morgan Stanley Union Bank Assets Management Corporation (MSUB) | Related party in substance |
| Liang Ji Investment Corporation | Related party in substance |
| Union Recreation Enterprise Corporation | Related party in substance |
| Entie Securities Finance Co. | Related party in substance (merged with Capital Group, the survivor company, on March 1, 2010) |
| Others | Directors, supervisors, managers, and their relatives and affiliates. |

b. Significant transactions with related parties:

1) Loans

December 31, 2011

| Type | Account Volume or Name | Highest Balance in the Year Ended December 31, 2011 | Ending Balance | Loan Classification | | Collaterals | Differences in Terms of Transaction with Those for Unrelated Parties |
|----------------------------------|---|---|----------------|---------------------|---------------------|---------------------------------|--|
| | | | | Normal Loans | Nonperforming Loans | | |
| Consumer loans | 3 | \$ 1,150 | \$ 1,010 | \$ 1,010 | \$ - | - | None |
| Self-used housing mortgage loans | 16 | 61,489 | 50,894 | 50,894 | - | Real estate | None |
| Other loans | Union Finance and Leasing International Corporation | 1,634,634 | 1,568,880 | 1,568,880 | - | Land, building and time deposit | None |

December 31, 2010

| Type | Account Volume or Name | Highest Balance in the Year Ended December 31, 2010 | Ending Balance | Loan Classification | | Collaterals | Differences in Terms of Transaction with Those for Unrelated Parties |
|----------------------------------|---|---|----------------|---------------------|---------------------|---------------------------------|--|
| | | | | Normal Loans | Nonperforming Loans | | |
| Consumer loans | 2 | \$ 1,301 | \$ 708 | \$ 708 | \$ - | - | None |
| Self-used housing mortgage loans | 21 | 86,108 | 32,616 | 32,616 | - | Real estate | None |
| Other loans | Union Finance and Leasing International Corporation | 1,562,480 | 1,287,851 | 1,287,851 | - | Land, building and time deposit | None |
| Other loans | Long Shan Lin Corporation | 1,350,000 | 600,000 | 600,000 | - | Land and buildings | None |
| Other loans | Li Chang Yao Ye Co. | 58,807 | 35,314 | 35,314 | - | Land and factory | None |
| Other loans | T-Movies Theater Co. | 99,479 | 99,479 | 99,479 | - | Land and buildings | None |

| | December 31 | | Rate | Interest Revenue | |
|------|--------------|-------|-------------|------------------|-------|
| | Amount | % | | Amount | % |
| 2011 | \$ 1,620,784 | 0.85% | 1.02%-3.82% | \$ 34,181 | 0.36% |
| 2010 | 2,055,968 | 1.08% | 0.30%-3.10% | 30,334 | 0.33% |

2) Deposits

| | December 31 | | Rate | Interest Expense | |
|------|--------------|-------|----------|------------------|-------|
| | Amount | % | | Amount | % |
| 2011 | \$ 3,899,528 | 1.21% | 0%-4.76% | \$ 28,561 | 0.99% |
| 2010 | 5,121,726 | 1.77% | 0%-5.35% | 26,737 | 1.06% |

3) Guarantees and letters of credit

December 31, 2011

| Name | Highest Balance in the Year Ended December 31, 2011 | Ending Balance | Balance of Guarantees and Letters of Credit (Note) | Rate | Collateral |
|---|---|----------------|--|-----------|--------------------|
| Union Recreation Enterprise Corporation | \$ 82,232 | \$ 79,749 | \$ - | 0.3%-0.5% | Time deposits |
| The Liberty Times Co., Ltd. | 62,178 | 4,942 | - | 0.05% | Land and buildings |
| Long Shan Lin Corporation | 71,040 | 71,040 | - | 0.3% | Time deposits |

December 31, 2010

| Name | Highest Balance in the Year Ended December 31, 2010 | Ending Balance | Balance of Guarantees and Letters of Credit (Note) | Rate | Collateral |
|--|---|----------------|--|-----------|--------------------|
| Union Recreation Enterprise Corporation | \$ 88,442 | \$ 79,749 | \$ - | 0.3%-0.5% | Time deposits |
| The Liberty Times Co., Ltd. | 49,566 | 8,866 | - | 0.05% | Land and buildings |
| Long Shan Lin Corporation | 71,040 | 71,040 | - | 0.3% | Time deposits |
| Union Finance International (H.K.) Limited | 80,522 | - | - | 0.5% | None |

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

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

| | Highest Balance During the Year | Balance as of December 31 | Rate | Interest Revenue |
|------|---------------------------------|---------------------------|-------------|------------------|
| 2010 | \$ 1,700,000 | \$ - | 0.15%-0.37% | \$ 559 |

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 |
|------|---------------------------------|---------------------------|-------|------------------|
| 2010 | \$ 200,000 | \$ - | 0.15% | \$ 8 |

6) Securities brokerage fees

| | <u>Years Ended December 31</u> | |
|------|--------------------------------|------|
| | Amount | % |
| 2011 | \$ 2,821 | 4.03 |
| 2010 | 2,692 | 3.20 |

7) Consulting and advisory contract

The Bank and UFLIC entered into a three-year consulting contract in October 2009. UFLIC's services included consultation on management, marketing, and promotion activities on auto loans as well as on loan management and collection of overdue loans, etc. (excluding the approval of loan applications). Before the expiry of the contract, the Bank and UFLIC ended the contract, and this contract termination was approved by the board of directors on March 16, 2011. The consulting fees and related expenses paid were \$19,037 thousand in 2011 and \$70,165 thousand in 2010 (both amounts included in other operating expenses), and the accrued expense as of 2010 was \$8,288 thousand.

8) 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 for use by 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 (Included in Other Operating Expense) | |
|-------------|---|----------|---|----------|
| | Amount | % | Amount | % |
| <u>2011</u> | | | | |
| Yu-Pang | \$ 454,400 | 10.19 | \$ 13,634 | 0.59 |
| Hung-Kuo | 218,760 | 4.91 | 100,045 | 4.32 |
| Yong-Xuan | 13,649 | 0.31 | 57,475 | 2.48 |
| UECC | 4,384 | 0.10 | 9,253 | 2.40 |
| UFLIC | - | - | 3,447 | 0.15 |
| <u>2010</u> | | | | |
| Yu-Pang | 454,400 | 7.83 | 12,498 | 0.59 |
| Hung-Kuo | 219,105 | 3.77 | 99,910 | 4.68 |
| Yong-Xuan | 13,905 | 0.24 | 57,452 | 2.69 |
| UECC | 4,384 | 0.08 | 9,242 | 0.43 |
| UFLIC | - | - | 2,117 | 0.10 |

The Bank rented cars for business use from UFLIC; the rental expenses were \$7,495 thousand in 2011 and \$5,969 thousand in 2010. Rentals payable as of December 31, 2011 and 2010 were \$64 thousand and \$32 thousand, respectively.

b) The Bank as lessor

The Bank's South Taoyuan Branch, Kaohsiung Branch, Mincynan Branch, Chiayi Branch and Fucheng Branch leased part of their office premises to UFLIC under operating lease agreements starting from May 2011 to April 2016, from June 2011 to December 2015, from April 2011 to September 2017, from July 2009 to July 2014, and from April 2011 to February 2014, respectively. The leasing revenues received were \$1,131 thousand in 2011 and \$2,130 thousand in 2010. The lease deposits received (included in other financial liabilities) were \$227 thousand in 2011 and \$492 thousand in 2010. The Bank's Beitun Branch leased part of its office to UBF under an operating lease agreement effective from February 2006 to August 2010. The leasing revenues received were \$261 thousand in 2010.

9) The disposal of nonperforming loans and assuming of related collaterals

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, \$138,783 thousand and \$309,601 thousand had not been received as of December 31, 2011 and 2010, respectively (refer to Note 15).

10) Available-for-sale financial assets

As of December 31, 2011 and 2010, the Bank had purchased 48,344 thousand and 23,047 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to \$554,130 thousand and \$306,792 thousand, respectively.

11) UIT sold computers, related material and software and provided network service to the Bank. The related purchase and service fee in 2011 and 2010 were \$90,638 thousand and \$99,194 thousand, respectively.

12) The Bank provided insurance consulting service and sales assistance to UIB. The commission and fee revenues were \$145,951 thousand in 2011 and \$166,049 thousand in 2010. The commission revenues on insurance premium (included in commissions and fee revenue) were \$173,825 thousand in 2011 and \$159,101 thousand in 2010.

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 within prescribed amounts.

c. Compensation of directors, supervisors and management personnel:

| | Years Ended December 31 | |
|----------------------------|--------------------------------|------------------|
| | 2011 | 2010 |
| Salaries | \$ 17,499 | \$ 18,700 |
| Incentives | 3,877 | 2,820 |
| Traveling fare | 1,732 | 1,840 |
| Special compensation | 480 | 480 |
| Car rental and oil subsidy | <u>2,486</u> | <u>1,569</u> |
| | <u>\$ 26,074</u> | <u>\$ 25,409</u> |

27. PLEDGED ASSETS

As of December 31, 2011 and 2010, government bonds and bank debentures, which amounted to \$179,800 thousand and \$231,800 thousand (both amounts 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, 2011 and 2010, negotiable certificates of deposit, which amounted to \$2,500,000 thousand and \$3,000,000 thousand, respectively (both amounts 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 20 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 1.08% in 2011 and 0.83% in 2010. Future minimum lease payments are as follows:

| Year | Amount |
|------|------------|
| 2012 | \$ 388,782 |
| 2013 | 353,551 |
| 2014 | 287,750 |
| 2015 | 188,017 |
| 2016 | 73,837 |

The present value of total rentals of \$272,632 thousand for beyond 2017 is about \$254,826 thousand, discounted at the Bank's one-year time deposit interest rate of 1.360% on December 31, 2011.

b. Computer equipment purchase contracts

The Bank had contracts to buy computer equipment and software for \$44,452 thousand, of which \$19,662 thousand had been paid as of December 31, 2011.

c. Securities sold under repurchase agreements

As of December 31, 2011, securities with a total cost of \$34,522,173 thousand were sold under agreements for repurchase between January 2012 and May 2012. The repurchase price is based on the notional amount plus interest, which is calculated at the agreed-upon interest rate.

d. Securities purchased under resell agreements

As of December 31, 2011, securities with a total cost of \$251,626 thousand were purchased under agreements to resell for \$251,713 thousand in January 2012.

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

| Balance Sheet of Trust Accounts December 31, 2011 | | | |
|--|----------------------|-------------------------------|----------------------|
| Trust Assets | Amount | Trust Liabilities and Capital | Amount |
| Bank deposits | \$ 3,015,199 | Income tax payable | \$ 52 |
| Investments | | Marketable securities payable | 7,330,424 |
| Mutual funds | 33,146,210 | Trust capital | 44,037,252 |
| Common stock | 172,174 | Reserve and deficit | <u>(139,004)</u> |
| Short-term bills and securities purchased under resell agreements | 73,565 | | |
| Accounts receivable | 1,612 | | |
| Stock in custody | 7,330,424 | | |
| Real estate - land and building | <u>7,489,540</u> | | |
| Total | <u>\$ 51,228,724</u> | Total | <u>\$ 51,228,724</u> |

**Balance Sheet of Trust Accounts
December 31, 2010**

| Trust Assets | Amount | Trust Liabilities and Capital | Amount |
|--|--------------------------|-------------------------------|--------------------------|
| Bank deposits | \$ 2,145,758 | Income tax payable | \$ 26 |
| Investments | | Expenses payable | 1 |
| Mutual funds | 33,188,406 | Marketable securities payable | 6,464,159 |
| Common stock | 169,444 | Trust capital | 38,713,535 |
| Short-term bills and securities purchased under resell agreements | 39,686 | Reserve and deficit | <u>(193,305)</u> |
| Accounts receivable | 1,819 | | |
| Stock in custody | 6,464,159 | | |
| Real estate - land and building | <u>2,975,144</u> | | |
| Total | <u>\$ 44,984,416</u> | Total | <u>\$ 44,984,416</u> |

**Trust Income Statement
Year Ended December 31, 2011**

| | Amount |
|---|-------------------------|
| Trust income | |
| Interest revenue - demand accounts | \$ 472 |
| Interest revenue - time deposits | 5,392 |
| Interest revenue - short-term bills and securities purchased under resell agreements | 232 |
| Cash dividend | 17,625 |
| Realized capital gain - fund | 571 |
| Income from beneficial certificates | 618 |
| Total trust income | <u>24,910</u> |
| Trust expense | |
| Management expense | 4,398 |
| Taxation | 164,689 |
| Realized capital loss - fund | 2,297 |
| Other | 13,084 |
| Total trust expense | <u>184,468</u> |
| Loss before tax | (159,558) |
| Income tax expense | <u>(2,423)</u> |
| Loss after tax | (161,981) |
| Unrealized capital gain - GTSM stock | 40,744 |
| Unrealized capital gain - fund | 243 |
| Unrealized capital loss - GTSM stock | (868) |
| Unrealized capital loss - fund | <u>(1,065)</u> |
| Net loss | <u>\$ (122,927)</u> |

Note: The trust income statements above are not included in the Bank's income statements.

Trust Income Statement
Year Ended December 31, 2010

| | Amount |
|--|---------------------|
| Trust income | |
| Interest revenue - demand accounts | \$ 197 |
| Interest revenue - time deposits | 3,401 |
| Interest revenue - short-term bills and securities purchased under resell agreements | 8 |
| Cash dividend | 11,821 |
| Other revenue | 912 |
| Realized capital gain - fund | 1,962 |
| Income from beneficial certificates | <u>1,047</u> |
| Total trust income | 19,348 |
| Trust expense | |
| Management expense | 4,026 |
| Taxation | 207,800 |
| Realized capital loss - fund | 270 |
| Other | <u>34,532</u> |
| Total trust expense | 246,628 |
| Loss before tax | (227,280) |
| Income tax expense | <u>(236)</u> |
| Loss after tax | (227,516) |
| Unrealized capital gain - GTSM stock | 43,817 |
| Unrealized capital gain - fund | 972 |
| Unrealized capital loss - fund | <u>(666)</u> |
| Net loss | <u>\$ (183,393)</u> |

Note: The trust income statements above are not included in the Bank's income statements.

Trust Property and Equipment Accounts
December 31, 2011

| Investment Portfolio | Amount |
|---|----------------------|
| Bank deposits | \$ 3,015,199 |
| Investments | |
| Mutual funds | 33,146,210 |
| Common stock | 172,174 |
| Short-term bills and securities purchased under resell agreements | 73,565 |
| Accounts receivable | 1,612 |
| Stock in custody | 7,330,424 |
| Real estate - land and buildings | <u>7,489,540</u> |
| | <u>\$ 51,228,724</u> |

**Trust Property and Equipment Accounts
December 31, 2010**

| Investment Portfolio | Amount |
|---|----------------------|
| Bank deposits | \$ 2,145,758 |
| Investments | |
| Mutual funds | 33,188,406 |
| Common stock | 169,444 |
| Short-term bills and securities purchased under resell agreements | 39,686 |
| Accounts receivable | 1,819 |
| Stock in custody | 6,464,159 |
| Real estate - land and buildings | <u>2,975,144</u> |
| | <u>\$ 44,984,416</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.

| | 2011 | |
|---|----------------------------|-----------------------------|
| | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | |
| Cash and cash equivalents | \$ 913,309 | 0.79 |
| Due from the Central Bank and other banks | 80,163,764 | 0.77 |
| Financial assets at fair value through profit or loss | 6,500,141 | 0.77 |
| Securities purchased under resell agreements | 347,839 | 0.73 |
| Discounts and loans | 191,483,124 | 2.62 |
| Accounts receivable - credit card | 10,894,811 | 9.82 |
| Available-for-sale financial assets | 7,993,028 | 0.95 |
| Held-to-maturity investments | 2,270,566 | 3.16 |
| No-active market debt instruments | 50,017,185 | 5.16 |
| <u>Interest-bearing liabilities</u> | | |
| Call loans and due to other banks | 657,356 | 0.11 |
| Due to Chunghwa Post Co., Ltd. | 8,076,022 | 1.31 |
| Securities sold under repurchase agreements | 35,821,867 | 0.62 |
| Demand deposits | 39,637,391 | 0.14 |
| Savings - demand deposits | 84,519,439 | 0.27 |
| Time deposits | 54,569,995 | 1.08 |
| Time-savings deposits | 119,090,755 | 1.30 |
| Negotiable certificates of deposit | 1,395,520 | 0.68 |
| Bank debentures | 4,846,959 | 2.51 |

| | 2010 | |
|---|----------------------------|-----------------------------|
| | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | |
| Cash and cash equivalents | \$ 894,294 | 0.70 |
| Due from the Central Bank and other banks | 66,476,771 | 0.55 |
| Financial assets at fair value through profit or loss | 1,921,479 | 0.67 |
| Securities purchased under resell agreements | 448,783 | 0.39 |
| Discounts and loans | 178,326,954 | 2.52 |
| Accounts receivable - credit card | 12,353,069 | 11.52 |
| Available-for-sale financial assets | 8,217,169 | 0.98 |
| Held-to-maturity investments | 6,005,322 | 4.91 |
| No-active market debt instruments | 52,477,456 | 4.55 |

Interest-bearing liabilities

| | | |
|---|-------------|------|
| Call loans and due to other banks | 1,251,244 | 0.17 |
| Due to Chunghwa Post Co., Ltd. | 14,614,516 | 1.08 |
| Securities sold under repurchase agreements | 33,310,743 | 0.58 |
| Demand deposits | 34,581,322 | 0.10 |
| Savings - demand deposits | 78,976,152 | 0.24 |
| Time deposits | 51,348,591 | 0.87 |
| Time-savings deposits | 107,991,613 | 1.18 |
| Negotiable certificates of deposit | 830,071 | 0.34 |
| Bank debentures | 7,322,419 | 2.64 |

30. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

| | December 31 | | | |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2011 | | 2010 | |
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit or loss | \$ 8,167,543 | \$ 8,167,543 | \$ 3,017,823 | \$ 3,017,823 |
| Available-for-sale financial assets | 7,516,896 | 7,516,896 | 6,230,049 | 6,230,049 |
| Other short-term financial assets | 125,365,389 | 125,365,389 | 86,848,480 | 86,848,480 |
| Discounts and loans, net | 190,679,993 | 190,679,993 | 189,657,099 | 189,657,099 |
| Held-to-maturity financial assets | 1,313,015 | 1,328,865 | 3,272,634 | 3,301,223 |
| Financial assets carried at cost | 450,451 | - | 452,581 | - |
| No-active market debt instruments | 44,723,018 | 44,569,296 | 50,878,823 | 50,674,438 |
| Other financial assets | 4,457,747 | 4,457,747 | 5,805,683 | 5,805,683 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at fair value through profit or loss | 33,852 | 33,852 | 51,584 | 51,584 |
| Other short-term financial liabilities | 47,321,184 | 47,321,184 | 47,654,908 | 47,654,908 |
| Deposits | 322,649,113 | 322,649,113 | 289,424,306 | 289,424,306 |
| Bank debentures | 4,890,000 | 5,023,408 | 4,890,000 | 4,932,140 |
| Other financial liabilities | 337,852 | 337,852 | 318,027 | 318,027 |

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 on the basis of forward rates provided by Reuters.

The fair values of no-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. The fair value of nonperforming loans is based on their carrying amount, which is net of allowance for credit losses.
- 4) Financial assets carried at cost are investments in unquoted shares, i.e., shares that have no quoted prices in an active market and entail an unreasonably high cost to determine their fair values. Therefore, no fair value is presented.
- 5) Refundable deposits have no specified maturity date; thus, their market value is estimated on the basis of their carrying value in the balance sheet. The carrying value of the guarantee deposits received is used as the basis to estimate their market values.
- 6) The fair values of bank debentures are estimated on the basis of prices published by the GreTai Securities Market.
- 7) The fair values of forward contracts, cross-currency swap contracts and interest rate swap contracts are based on present value techniques. Option fair values are based on estimates using the Black Scholes model.

- c. Fair values of financial assets and financial liabilities determined on the basis of quoted market prices or estimates made using valuation techniques are summarized as follows:

| | December 31 | | | |
|--|-------------------------|---|-------------------------|---|
| | 2011 | | 2010 | |
| | Quoted Market Prices | Estimates Based on Valuation Techniques | Quoted Market Prices | Estimates Based on Valuation Techniques |
| <u>Financial assets</u> | | | | |
| Financial assets at fair value through profit or loss | \$ 98,257 | \$ 8,069,286 | \$ 33,093 | \$ 2,984,730 |
| Available-for-sale financial assets | 2,416,130 | 5,100,766 | 1,287,265 | 4,942,784 |
| Held-to-maturity investments | - | 1,328,865 | - | 3,301,223 |
| No-active market debt instruments | - | 44,569,296 | - | 50,674,438 |
| <u>Financial liabilities</u> | | | | |
| Financial liabilities at fair value through profit or loss | - | 33,852 | - | 51,584 |

The fair value hierarchy of the Bank's financial instruments as of December 31, 2011 was as follows:

| | December 31, 2011 | | | |
|--|-------------------|-----------|------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Nonderivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss (FVTPL) | | | | |
| Held-for-trading financial assets | | | | |
| Stock | \$ 98,257 | \$ 98,257 | \$ - | \$ - |
| Debt instruments | 102,718 | - | 102,718 | - |
| Commercial paper | 3,575,646 | - | 3,575,646 | - |
| Negotiable certificates of deposit | 1,512,400 | - | 1,512,400 | - |
| Financial assets designated as at FVTPL on initial recognition | 2,758,735 | - | 2,723,656 | 35,079 |
| Available-for-sale financial assets | | | | |
| Stock | 1,511,562 | 1,511,562 | - | - |
| Debt instruments | 5,100,766 | - | 5,100,766 | - |
| Beneficial certificates | 904,568 | 904,568 | - | - |
| Held-to-maturity financial assets | 1,328,865 | - | 1,328,865 | - |
| No-active market debt instruments | 44,569,296 | - | 44,569,296 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 119,787 | - | 118,790 | 997 |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 33,852 | - | 32,855 | 997 |

- 1) The above table shows the financial instruments carried at fair value that have been categorized under the three levels of fair value hierarchy.
- 2) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. As stated in Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement," active markets are those with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- 3) Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

4) Level 3 - inputs not based on observable market data (unobservable inputs).

Other information on financial assets in level 3 in 2011 is as follows:

(In Thousands of New Taiwan Dollars)

| Items | Beginning Balance | Valuation Gain (Loss) in Net Income or Stockholders' Equity | Amount of Increase | | Amount of Decrease | | Ending Balance |
|--|-------------------|---|----------------------------------|---------------------|------------------------------|-----------------------|----------------|
| | | | Purchase or Change in Fair Value | Transfer to Level 3 | Sale or Change in Fair Value | Transfer from Level 3 | |
| Financial assets at fair value through profit or loss | | | | | | | |
| Financial assets designated as at FVTPL on initial recognition | \$ 85,510 | \$ (431) | \$ 30,000 | \$ - | \$ (80,000) | \$ - | \$ 35,079 |
| Derivative financial assets | 7,491 | (9,004) | 25,816 | - | (23,306) | - | 997 |

Other information on financial liabilities in level 3 in 2011 is as follows:

(In Thousands of New Taiwan Dollars)

| Items | Beginning Balance | Valuation Gain (Loss) in Net Income or Stockholders' Equity | Amount of Increase | | Amount of Decrease | | Ending Balance |
|--|-------------------|---|----------------------------------|---------------------|------------------------------|-----------------------|----------------|
| | | | Purchase or Change in Fair Value | Transfer to Level 3 | Sale or Change in Fair Value | Transfer from Level 3 | |
| Financial liabilities at fair value through profit or loss | | | | | | | |
| Derivative financial liabilities | \$ 7,469 | \$ (9,248) | \$ 28,342 | \$ - | \$ (25,566) | \$ - | \$ 997 |

On financial instruments with fair values determined through valuation techniques, valuation showed gains of \$39,842 thousand in 2011 and \$89,326 thousand in 2010.

As of December 31, 2011 and 2010, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

| | Years Ended December 31 | |
|------------------------|--------------------------------|--------------|
| | 2011 | 2010 |
| Total interest income | \$ 9,496,704 | \$ 9,153,962 |
| Total interest expense | 2,884,122 | 2,516,524 |

For the changes in fair value of available-for-sale financial assets, the Bank recognized in stockholders' equity the unrealized losses of \$279,928 thousand in 2011 and the unrealized gains of \$259,088 thousand in 2010, of which \$19,847 thousand and \$131,305 thousand, respectively, were reclassified to current gain in the income statement.

d. Financial risks

1) Market risk

On 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 or third parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' creditworthiness. 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, 2011 and 2010, the ratios of secured loans to total loans were 84.49% and 82.82%, respectively, and the ratio of secured financial guarantees and standby letters of credits to the totals of these two financial instruments were 37.53% and 36.13%, respectively. Collaterals held vary and may include cash, inventories, marketable securities, and other properties. If 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 is a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or of collaterals 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 a half year to 10 years. Loan interest rates ranged from 1.40% to 7.25% in 2011 and from 1.02% to 7.00% in 2010, and the highest interest rate for credit cards throughout many years, including 2011, has been 19.99%. The Bank also provided guarantees on customers' loans and letters of credit obtained from third parties. The maturity dates of these commitments were not concentrated in a particular period.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2011 and 2010 were as follows:

| | December 31 | |
|--|--------------------|----------------|
| | 2011 | 2010 |
| Credit commitments for credit cards | \$ 172,680,945 | \$ 174,597,000 |
| Guarantees and standby letters of credit | 10,223,821 | 9,837,554 |
| Irrevocable loan commitments | 900,303 | 535,838 |

The maximum exposure of counterparties presented above were based on evaluations of 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 manages credit risk by maintaining a diversified portfolio, limiting its exposure to any one geographic region, country or individual creditor and monitoring the exposure continually. Credit risk profiles by region were not significant on December 31, 2011 and 2010. The Bank's most significant concentrations of credit risk as of December 31, 2011 and 2010 are summarized as follows:

| Credit Risk Profile by Counter-party | Carrying Amount | |
|---|------------------------|-----------------------|
| | December 31 | |
| | 2011 | 2010 |
| Consumer | \$ 140,643,383 | \$ 146,782,202 |
| Private sector | 39,922,216 | 35,005,468 |
| Government | - | 2,174,000 |
| | <u>\$ 180,565,599</u> | <u>\$ 183,961,670</u> |

| Credit Risk Profile by Industry Sector | December 31, 2011 | Credit Risk Profile by Industry Sector | December 31, 2010 |
|---|------------------------------|---|------------------------------|
| Real estate activities | \$ 14,658,821 | Real estate activities | \$ 12,225,152 |
| Commercial | 7,450,261 | Commercial | 7,521,571 |
| Manufacturing | <u>6,022,603</u> | Finance and insurance | <u>4,943,447</u> |
| | <u>\$ 28,131,685</u> | | <u>\$ 24,690,170</u> |

The amounts of the credit risks of the above loans were the same as their carrying amounts.

3) Liquidity risk

As of December 31, 2011 and 2010, the liquidity reserve ratios were 29.97% and 21.13%, respectively. The Bank has sufficient capital and working capital to execute all its contract obligations and has no liquidity risk. The possibility of failing to liquidate the derivative financial instruments at reasonable prices 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 did not fully match each other. This gap may give rise to gain or loss.

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

| | December 31, 2011 | | | | | 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 | \$ 7,887,592 | \$ 135,000 | \$ 162,000 | \$ 206,000 | \$ - | \$ 8,390,592 |
| Due from the Central Bank and other banks | 73,106,171 | 21,426,807 | 1,553,316 | 2,584,946 | 3,110,529 | 101,781,769 |
| Financial assets at fair value through profit or loss | 5,569,794 | 26,712 | 1,541 | 1,326 | 2,568,170 | 8,167,543 |
| Securities purchased under resell agreements | 251,626 | - | - | - | - | 251,626 |
| Receivables | 5,430,305 | 3,480,702 | 2,421,023 | 3,932,730 | 1,153,479 | 16,418,239 |
| Discounts and loans | 8,576,978 | 10,365,330 | 15,542,071 | 38,094,496 | 120,027,909 | 192,606,784 |
| Available-for-sale financial assets | 150,502 | - | 231,413 | 400,832 | 6,734,149 | 7,516,896 |
| Held-to-maturity investments | 393,765 | - | - | 234,171 | 685,079 | 1,313,015 |
| No active market debt instruments | - | - | - | - | 44,723,018 | 44,723,018 |
| | <u>101,366,733</u> | <u>35,434,551</u> | <u>19,911,364</u> | <u>45,454,501</u> | <u>179,002,333</u> | <u>381,169,482</u> |
| <u>Liabilities</u> | | | | | | |
| Call loans and due to banks | 34,266 | - | 2,500,000 | 4,472,990 | - | 7,007,256 |
| Financial liabilities at fair value through profit or loss | 23,814 | 8,778 | 635 | 625 | - | 33,852 |
| Securities sold under repurchase agreements | 21,263,332 | 13,248,798 | 10,043 | - | - | 34,522,173 |
| Payables | 4,169,924 | 779,244 | 486,689 | 222,011 | 189,434 | 5,847,302 |
| Deposits and remittance | 28,260,490 | 39,075,349 | 51,066,384 | 95,219,848 | 109,134,839 | 322,756,910 |
| Bank debentures | - | - | - | 1,190,000 | 3,700,000 | 4,890,000 |
| | <u>53,751,826</u> | <u>53,112,169</u> | <u>54,063,751</u> | <u>101,105,474</u> | <u>113,024,273</u> | <u>375,057,493</u> |
| Net liquidity gap | <u>\$ 47,614,907</u> | <u>\$ (17,677,618)</u> | <u>\$ (34,152,387)</u> | <u>\$ (55,650,973)</u> | <u>\$ 65,978,060</u> | <u>\$ 6,111,989</u> |

December 31, 2010

| | 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 | \$ 8,441,278 | \$ 135,000 | \$ 162,000 | \$ 206,000 | \$ - | \$ 8,944,278 |
| Due from the Central Bank and other banks | 51,001,623 | 2,811,383 | 2,584,032 | 2,142,937 | 2,784,302 | 61,324,277 |
| Financial assets at fair value through profit or loss | 2,992,371 | 9,299 | 11,652 | 4,501 | - | 3,017,823 |
| Securities purchased under resell agreements | 39,500 | - | - | - | - | 39,500 |
| Receivables | 5,814,951 | 3,874,896 | 2,710,456 | 4,409,251 | 1,713,053 | 18,522,607 |
| Discounts and loans | 7,801,276 | 8,243,834 | 14,237,611 | 32,244,742 | 128,555,329 | 191,092,792 |
| Available-for-sale financial assets | - | - | 253,804 | 676,567 | 5,299,678 | 6,230,049 |
| Held-to-maturity investments | 141,320 | - | - | 1,885,435 | 1,245,879 | 3,272,634 |
| No active market debt instruments | 221 | 442 | 664 | 1,327 | 50,876,169 | 50,878,823 |
| | <u>76,232,540</u> | <u>15,074,854</u> | <u>19,960,219</u> | <u>41,570,760</u> | <u>190,484,410</u> | <u>343,322,783</u> |
| <u>Liabilities</u> | | | | | | |
| Call loans and due to banks | 61,436 | - | 5,700,000 | 4,525,910 | - | 10,287,346 |
| Financial liabilities at fair value through profit or loss | 34,584 | 3,997 | 8,451 | 4,401 | 151 | 51,584 |
| Securities sold under repurchase agreements | 26,637,022 | 6,959,904 | - | - | - | 33,596,926 |
| Payables | 2,271,780 | 787,827 | 406,654 | 185,823 | 186,812 | 3,838,896 |
| Deposits and remittance | 31,346,739 | 35,690,114 | 49,400,560 | 77,069,543 | 96,098,898 | 289,605,854 |
| Bank debentures | 2,000 | - | - | 1,988,000 | 2,900,000 | 4,890,000 |
| | <u>60,353,561</u> | <u>43,441,842</u> | <u>55,515,665</u> | <u>83,773,677</u> | <u>99,185,861</u> | <u>342,270,606</u> |
| Net liquidity gap | <u>\$ 15,878,979</u> | <u>\$ (28,366,988)</u> | <u>\$ (35,555,446)</u> | <u>\$ (42,202,917)</u> | <u>\$ 91,298,549</u> | <u>\$ 1,052,177</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; and 2) long-term goal - to maximize stockholders' return by setting up a risk management and evaluation system and properly allocating capital in a way that is most beneficial to stockholders.

b. Quantifiable risk measurement and control

- 1) Credit risk: The goal is to control risk at a tolerable level by setting up measurement tools that quantify risk across products and businesses. Then, the Bank established model loan procedures for employees to follow to ensure the protection of stockholders and depositors from loan risks.
 - a) Setting up credit risk measurement system and database when making loans and reserving the historical data of credit risk measurement.
 - b) Setting up a credit rating system linked to the interest spread.
 - c) Adjusting the credit risk measurement model and instruments in light of the economy, forecasting and customer attributes to ensure that data match actual current conditions.

- 2) Market risk: The goal is to set up risk identifying, evaluating, monitoring, reporting and controlling procedures. The Bank has established risk management procedures and mechanisms under the guidelines of Basel II and plans to build a risk management system to ensure that the outcomes of risk-taking activities are predictable and are 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 includes the limit on investments, transactions involving counter-parties and traders' financial instrument transactions as well as total trading limit.
 - b) The price risk control: The marked-to-market valuation method is used to measure the open position on the basis of daily settlement prices. The data on sensitivity analysis of all outstanding positions and stop-loss monitor information can be obtained through the trading management system.
 - c) The risk report: To ensure risk control effectively, outstanding position reports and integrated risk management reports are available on a continuing basis.
- 3) Operational risk: For risk management, the Bank established the following:
 - a) Strategy and control procedures at all bank levels;
 - b) A database and reporting system on operational risk loss data by activity unit or activity and keep the data to improve internal control;
 - c) An information and employee backup system to carry out stop-loss procedures in certain situations.
- 4) Liquidity risk

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

32. CAPITAL ADEQUACY RATIO

(In Thousands of New Taiwan Dollars, %)

| Items | | Year | December 31, 2011 | |
|---|------------------------|---|-------------------|---------------|
| | | | Union Bank | Consolidated |
| Eligible capital | Tier 1 capital | | \$ 15,534,886 | \$ 16,252,529 |
| | Tier 2 capital | | 5,245,841 | 5,757,287 |
| | Tier 3 capital | | - | - |
| | Eligible capital | | 20,780,727 | 22,009,816 |
| Risk-weighted assets | Credit risk | Standardized approach | 157,020,298 | 164,071,544 |
| | | Internal ratings-based approach | - | - |
| | | Securitization | - | 37,186 |
| | Operational risk | Basic indicator approach | 15,633,843 | 17,361,014 |
| | | Standardized approach/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 5,666,525 | 5,790,138 |
| | | Internal model approach | - | - |
| | | Risk-weighted assets | 178,320,666 | 187,259,882 |
| | Capital adequacy ratio | | | 11.65 |
| Ratio of Tier 1 capital to risk-weighted assets | | | 8.71 | 8.68 |
| Ratio of Tier 2 capital to risk-weighted assets | | | 2.94 | 3.07 |
| Ratio of Tier 3 capital to risk-weighted assets | | | - | - |
| Ratio of common stock to total assets | | | 4.14 | 4.10 |
| Leverage ratio | | | 4.12 | 4.26 |

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 × 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 assets (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, 2010 | |
|---|------------------------|---|-------------------|---------------|
| | | | Union Bank | Consolidated |
| Eligible capital | Tier 1 capital | | \$ 13,539,665 | \$ 14,200,593 |
| | Tier 2 capital | | 3,715,928 | 4,162,325 |
| | Tier 3 capital | | - | - |
| | Eligible capital | | 17,255,593 | 18,362,918 |
| Risk-weighted Assets | Credit risk | Standardized approach | 154,210,916 | 161,235,905 |
| | | Internal ratings-based approach | - | - |
| | | Securitization | 629 | 54,476 |
| | Operational risk | Basic indicator approach | 14,993,291 | 16,722,350 |
| | | Standardized approach/alternative standardized approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 3,225,875 | 3,314,250 |
| | | Internal model approach | - | - |
| | | Risk-weighted assets | 172,430,711 | 181,326,981 |
| | Capital adequacy ratio | | | 10.01 |
| Ratio of Tier 1 capital to risk-weighted assets | | | 7.85 | 7.83 |
| Ratio of Tier 2 capital to risk-weighted assets | | | 2.16 | 2.30 |
| Ratio of Tier 3 capital to risk-weighted assets | | | - | - |
| Ratio of common stock to total assets | | | 4.53 | 4.50 |
| Leverage ratio | | | 3.85 | 3.94 |

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 3 (attached)
- 2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

| Year Ended December 31, 2011 | | | | Year Ended December 31, 2010 | | | |
|------------------------------|-----------------------|--|--------------------------|------------------------------|-----------------------|--|--------------------------|
| 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 | B Group - real estate | \$2,602,304 | 11.85 | 1 | A Group - real estate | \$3,551,534 | 17.67 |
| 2 | A Group - real estate | 2,411,150 | 10.98 | 2 | B Group - real estate | 2,569,462 | 12.79 |
| 3 | D Group - real estate | 2,397,075 | 10.92 | 3 | C Group - real estate | 2,047,602 | 10.19 |
| 4 | F Group - real estate | 2,072,000 | 9.44 | 4 | D Group - real estate | 1,827,760 | 9.10 |
| 5 | C Group - real estate | 1,724,612 | 7.86 | 5 | E Group - retail | 1,222,234 | 6.08 |
| 6 | X Group - retail | 1,638,163 | 7.46 | 6 | F Group - real estate | 850,000 | 4.23 |
| 7 | T Group - real estate | 924,800 | 4.21 | 7 | G Group - real estate | 619,263 | 3.08 |
| 8 | Z Group - real estate | 820,000 | 3.74 | 8 | H Group - retail | 532,500 | 2.65 |
| 9 | K Group - real estate | 579,736 | 2.64 | 9 | I Group - aviation | 502,666 | 2.50 |
| 10 | H Group - retail | 553,800 | 2.52 | 10 | J Group - real estate | 490,000 | 2.44 |

b. Interest rate sensitivity

**Interest Rate Sensitivity
December 31, 2011**

(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 | \$ 275,141,613 | \$ 6,125,053 | \$ 10,107,582 | \$ 20,086,084 | \$ 311,460,332 |
| Interest rate-sensitive liabilities | 248,327,221 | 11,622,163 | 33,659,561 | 17,370,392 | 310,979,337 |
| Interest rate sensitivity gap | 26,814,392 | (5,497,110) | (23,551,979) | 2,715,692 | 480,995 |
| Net worth | | | | | 13,450,135 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 100.15% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 3.58% |

**Interest Rate Sensitivity
December 31, 2010**

(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 | \$ 235,734,239 | \$ 7,038,372 | \$ 13,691,427 | \$ 19,590,572 | \$ 276,054,610 |
| Interest rate-sensitive liabilities | 128,821,835 | 128,391,152 | 14,888,860 | 12,053,024 | 284,154,871 |
| Interest rate sensitivity gap | 106,912,404 | (121,352,780) | (1,197,433) | 7,537,548 | (8,100,261) |
| Net worth | | | | | 13,834,570 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 97.15% |
| Ratio of interest rate sensitivity gap to net worth | | | | | (58.55%) |

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

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

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

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

**Interest Rate Sensitivity
December 31, 2011**

(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 | \$ 103,477 | \$ 22,434 | \$ 1,377 | \$ 1,568,448 | \$ 1,695,736 |
| Interest rate-sensitive liabilities | 1,272,769 | 350,168 | 149,773 | 446 | 1,773,156 |
| Interest rate sensitivity gap | (1,169,292) | (327,734) | (148,396) | 1,568,002 | (77,420) |
| Net worth | | | | | 318,843 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 95.63% |
| Ratio of interest rate sensitivity gap to net worth | | | | | (24.28%) |

Interest Rate Sensitivity
December 31, 2010

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

| | | | | | |
|--|-------------|-----------|-----------|--------------|--------------|
| Interest rate-sensitive assets | \$ 226,652 | \$ 11,098 | \$ 15,695 | \$ 1,754,528 | \$ 2,007,973 |
| Interest rate-sensitive liabilities | 1,257,750 | 388,720 | 144,937 | - | 1,791,407 |
| Interest rate sensitivity gap | (1,031,098) | (377,622) | (129,242) | 1,754,528 | 216,566 |
| Net worth | | | | | 253,968 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 112.09% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 85.27% |

Note 1: The above amounts include 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 | | 2011 | 2010 |
|------------------------|-------------------|-------|-------|
| Return on total assets | Before income tax | 0.58 | 0.52 |
| | After income tax | 0.48 | 0.40 |
| Return on net worth | Before income tax | 10.56 | 9.74 |
| | After income tax | 8.69 | 7.50 |
| Profit margin | | 25.00 | 20.44 |

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, 2011 and 2010.

2) Maturity analysis of assets and liabilities:

Maturity Analysis of Assets and Liabilities
December 31, 2011

(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 | \$ 344,234,261 | \$ 101,950,941 | \$ 35,083,536 | \$ 19,263,322 | \$ 47,643,645 | \$ 140,292,817 |
| Main capital outflow on maturity | 390,799,219 | 45,524,553 | 36,244,152 | 44,824,337 | 99,245,067 | 164,961,110 |
| Gap | (46,564,958) | 56,426,388 | (1,160,616) | (25,561,015) | (51,601,422) | (24,668,293) |

**Maturity Analysis of Assets and Liabilities
December 31, 2010**

(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 | \$ 300,562,620 | \$ 75,283,316 | \$ 14,685,296 | \$ 19,667,562 | \$ 41,660,523 | \$ 149,265,923 |
| Main capital outflow on maturity | 352,933,224 | 35,211,468 | 34,577,982 | 45,941,514 | 84,965,520 | 152,236,740 |
| Gap | (52,370,604) | 40,071,848 | (19,892,686) | (26,273,952) | (43,304,997) | (2,970,817) |

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, 2011**

(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 | \$ 1,750,579 | \$ 112,250 | \$ 16,357 | \$ 22,487 | \$ 1,379 | \$ 1,598,106 |
| Capital outflow on maturity | 2,115,683 | 876,640 | 418,874 | 350,533 | 150,346 | 319,290 |
| Gap | (365,104) | (764,390) | (402,517) | (328,046) | (148,967) | 1,278,816 |

**Maturity Analysis of Assets and Liabilities
December 31, 2010**

(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 | \$ 2,029,836 | \$ 206,867 | \$ 21,802 | \$ 10,762 | \$ 15,699 | \$ 1,774,706 |
| Capital outflow on maturity | 2,046,088 | 914,486 | 343,517 | 388,781 | 145,343 | 253,961 |
| Gap | (16,252) | (707,619) | (321,715) | (378,019) | (129,644) | 1,520,745 |

Note: The above amounts are book values of assets and liabilities 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).

34. ACQUISITIONS OF ANOTHER FINANCIAL INSTITUTION'S ASSETS, LIABILITIES AND OPERATIONS

To integrate its operating resources and promote Bank's competitiveness in the financial market, the board of directors resolved on December 17, 2009 to merge the Bank with Union Bill Finance Corporation (UBF), with the Bank as the survivor equity. Under the merger contract, the Bank will acquire UBF's assets and liabilities through a share swap at a 1:1.13 ratio, with each share of UBF to be exchanged for 1.13 shares of the Bank. The merger contract stated that this ratio could be adjusted. On June 23, 2010, the board of directors approved the change of the swap ratio to 1:1.15, with August 16, 2010 as the merger date. The merger was completed on August 16, 2010. The assets and liabilities recognized by UBF on the merger date and all rights and obligations as of the merger date were assumed by the Bank.

The issued capital of the Bank before the merger was \$17,536,620 thousand, representing 1,753,662 thousand shares at a par value of NT\$10.00, consisting of 1,451,153 thousand common shares and 302,509 thousand preferred shares. The Bank increased its capital by \$1,948,376 thousand by issuing 194,838 thousand common shares for the merger. The issued capital of the Bank after merger amounted to \$19,484,996 thousand. This issuance was approved by the Ministry of Economic Affairs.

UBF started preparations for its establishment in November 1994 and was established in July 1995. It began its main operating activities and generated major revenues on October 11, 1995. Under approval by authorities, UBF mainly brokers and trades short-term bills; underwrites, certifies, guarantees and endorses commercial paper; brokers government bonds, financial bonds and trading bonds; and does derivatives-related business.

The Bank applied Statement of Financial Accounting Standards (SFAS) No. 25 - "Business Combinations" to the merger with UBF. Under SFAS No. 25, since the Bank had control over UBF before the merger, the Bank recognized (a) UBF's assets and liabilities at book value at the Bank's percentage of ownership (42.76%) and (b) the remaining assets and liabilities attributed to the minority interest (57.24%) at fair value as of the merger date. Also in line with SFAS No. 25, since the Bank's accounting policies on assets and liabilities were more appropriate to use than those of UBF, the Bank adjusted the book value of UBF's assets and liabilities on the basis of the Bank's accounting policies.

Also under SFAS No. 25, the Bank recognized \$1,714,571 thousand as the cost of acquiring minority-interest shares and issued 194,838 thousand common shares at NT\$8.8 per share to the stockholders. The amount of \$130,498, resulting from the deduction of the net asset fair value of \$1,584,073 thousand from the acquisition cost of \$1,714,571 thousand, was recorded as goodwill.

The amounts of the assets and liabilities recognized by the Bank after the merger are summarized as follows:

| | Fair Value of Identifiable Net Assets | Book Value | Total |
|---|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 513,308 | \$ 383,457 | \$ 896,765 |
| Due from the Central Bank and other banks | 572,400 | 427,600 | 1,000,000 |
| Financial assets at fair value through profit or loss | 211,721 | 158,162 | 369,883 |
| Receivables, net | 245,999 | 183,769 | 429,768 |
| Available-for-sale financial assets | 2,055,740 | 1,535,700 | 3,591,440 |
| Held-to-maturity financial assets | 118,610 | 88,605 | 207,215 |
| Financial assets carried at cost | 5,310 | 3,967 | 9,277 |
| Other financial assets | 13,107 | 9,791 | 22,898 |
| Land | 4,330 | 3,234 | 7,564 |
| Buildings | 3,426 | 2,559 | 5,985 |
| Machinery and equipment | 1,831 | 1,368 | 3,199 |
| Transportation equipment | 653 | 488 | 1,141 |
| Leasehold improvements | 665 | 496 | 1,161 |
| Other assets | 79,658 | 52,179 | 131,837 |
| Securities sold under repurchase agreements | (2,104,361) | (1,572,021) | (3,676,382) |
| Payables | (17,120) | (12,790) | (29,910) |
| Other financial liabilities | (753) | (562) | (1,315) |
| Other liabilities | (120,451) | (95,512) | (215,963) |
| Subtotal | <u>1,584,073</u> | <u>\$ 1,170,490</u> | <u>\$ 2,754,563</u> |
| Cost of combination | <u>1,714,571</u> | | |
| Goodwill | <u>\$ 130,498</u> | | <u>\$ 130,498</u> |

The foregoing fair values and book values of identifiable net assets were calculated at the share ratios of 57.24% and 42.76%, respectively, on the basis of the unaudited financial statements prepared by UBF. In calculating the amount corresponding to the share ratio of 42.76%, the Bank had already adjusted the book value of UBF's assets and liabilities in accordance with the Bank's accounting policy.

All of UBF's operating results after August 16, 2010 were included in the Bank's income statement, but any profit or loss before the merger date was not included. For comparison purposes, the combined pro forma income statements for 2010 are provided as follows (UBF's data for the period from January 1, 2010 to August 15, 2010 had been prepared by UBF and all of these data had been adjusted in accordance with the Bank's accounting policy).

| Items | 2010 |
|--|---------------------|
| Net interest | \$ 6,585,622 |
| Net revenues and gains other than interest | <u>338,362</u> |
| Net revenues | 6,923,984 |
| Bad-debt expenses for loans | (409,502) |
| Operating expenses | <u>(4,716,837)</u> |
| Income before income tax | 1,797,645 |
| Income tax expense | <u>(423,038)</u> |
| Net income | <u>\$ 1,374,607</u> |
| Earnings per share (NT\$) | <u>\$0.90</u> |

The pro forma combined statements of income are presented for illustrative purposes only. That is, this information merely shows the results of operations under the assumption that the Bank merged with UBF on January 1, 2010 and represents neither the future financial position nor the result of operations of the merged Bank and UBF.

35. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau:

a. Significant transactions of the Bank and its investees:

- 1) Financing provided: The Bank - not applicable; investee company - none
- 2) Endorsement/guarantee provided: The Bank - 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: None
- 9) Sale of nonperforming loans: None
- 10) Financial asset securitization: None

11) Other significant transactions which may affect the decision of financial statements users: Table 3 (attached)

12) The information of investees: Table 4 (attached)

13) Derivative financial transactions: Please see Note 6.

b. Investment in Mainland China: None.

36. SEGMENT INFORMATION

The information reported to the Bank's chief operating decision makers for the assessment of segment performance focuses mainly on operating and profit or loss. The accounting policies of the reportable segments are the same as the Bank's significant accounting policies described in Note 2. The Bank's reportable segments under the Statement of Financial Accounting Standards No. 41 - "Operating Segments" are as follows:

- a. Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury business, etc.
- b. Consumer banking unit: Consumer banking, financial management and loan business, credit card business and auto-loan business, etc.
- c. Wealth management and trust unit: Wealth management and trust business, etc.
- d. Investing unit: Investing business in financial market, etc.

The analysis of the Bank's revenue and results from continuing operations by reportable segment was as follows:

| | 2011 | | | | | Total |
|-----------------------------------|----------------------|---------------------|----------------------|---------------------|------------------|---------------------|
| | Corporate Banking | Consumer Banking | Wealth Management | Investing | Others | |
| Net interest revenues | \$ 823,744 | \$ 2,307,535 | \$ (303) | \$ 2,050,646 | \$ 1,480,731 | \$ 6,662,353 |
| Net commissions and fees revenues | 73,907 | 664,313 | 434,048 | 72,142 | 124,431 | 1,368,841 |
| Net revenues other than interest | <u>425,611</u> | <u>61,591</u> | <u>(28,517)</u> | <u>(256,338)</u> | <u>(926,649)</u> | <u>(724,302)</u> |
| Total net revenues | 1,323,262 | 3,033,439 | 405,228 | 1,866,450 | 678,513 | 7,306,892 |
| Bad-debt expense for loans | 458,291 | 1,010,336 | - | 61,407 | (1,408,534) | 121,500 |
| Operating expenses | <u>558,570</u> | <u>1,902,744</u> | <u>312,773</u> | <u>190,915</u> | <u>1,999,010</u> | <u>4,964,012</u> |
| Income before income tax | <u>\$ 306,401</u> | <u>\$ 120,359</u> | <u>\$ 92,455</u> | <u>\$ 1,614,128</u> | <u>\$ 88,037</u> | <u>\$ 2,221,380</u> |
| Asset (Note) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Note: The Bank provides only the average amounts of deposits and loans for measuring the amount of assets and liabilities, and the measured amounts disclosed in the report would be zero based on the interpretation (2010) No. 151 issued by the Accounting Research and Development Foundation (ARDF).

| | 2010 | | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|---------------------|-----------------------|---------------------|
| | Corporate Banking | Consumer Banking | Wealth Management | Investing | Others | Total |
| Net interest revenues | \$ 925,599 | \$ 2,701,759 | \$ (291) | \$ 2,001,902 | \$ 1,021,319 | \$ 6,650,288 |
| Net commissions and fees revenues | 77,158 | 833,300 | 433,111 | 30,725 | 111,910 | 1,486,204 |
| Net revenues other than interest | <u>371,966</u> | <u>40,802</u> | <u>(21,669)</u> | <u>171,315</u> | <u>(1,798,340)</u> | <u>(1,235,926)</u> |
| Total net revenues | 1,374,723 | 3,575,861 | 411,151 | 2,203,942 | (665,111) | 6,900,566 |
| Bad-debt expense for loans | 256,591 | 1,272,395 | - | 16,664 | (1,136,148) | 409,502 |
| Operating expenses | <u>540,910</u> | <u>1,866,046</u> | <u>295,209</u> | <u>156,366</u> | <u>1,800,021</u> | <u>4,658,552</u> |
| Income before income tax | <u>\$ 577,222</u> | <u>\$ 437,420</u> | <u>\$ 115,942</u> | <u>\$ 2,030,912</u> | <u>\$ (1,328,984)</u> | <u>\$ 1,832,512</u> |
| Asset (Note) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

Note: The Bank provides only the average amounts of deposits and loans for measuring the amount of assets and liabilities, and the measured amounts disclosed in the report would be zero based on the interpretation (2010) No. 151 issued by the ARDF.

37. SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant foreign-currency financial assets and liabilities were as follows:

| | 2011 | | | 2010 | | |
|------------------------------|--------------------------------|---------------|--------------------------------|--------------------------------|---------------|--------------------------------|
| | Foreign Currencies (Thousands) | Exchange Rate | New Taiwan Dollars (Thousands) | Foreign Currencies (Thousands) | Exchange Rate | New Taiwan Dollars (Thousands) |
| <u>Financial assets</u> | | | | | | |
| Monetary items | | | | | | |
| USD | \$ 1,940,326 | 30.29 | \$ 58,772,475 | 1,972,999 | 29.152 | \$ 57,516,867 |
| JPY | 5,363,695 | 0.3903 | 2,093,450 | 5,362,449 | 0.3581 | 1,920,293 |
| GBP | 5,857 | 46.7678 | 273,919 | 6,628 | 45.2001 | 299,586 |
| AUD | 40,754 | 30.7746 | 1,254,188 | 33,526 | 29.6913 | 995,431 |
| HKD | 96,228 | 3.8983 | 375,126 | 119,607 | 3.7499 | 448,514 |
| CAD | 7,916 | 29.6815 | 234,959 | 8,366 | 29.1665 | 244,007 |
| SGD | 1,122 | 23.3179 | 26,163 | 836 | 22.7217 | 18,995 |
| ZAR | 398,710 | 3.7211 | 1,483,640 | 167,728 | 4.4036 | 738,607 |
| CHF | 805 | 32.2063 | 25,926 | 382 | 31.1120 | 11,885 |
| THB | 41 | 0.9595 | 39 | 115 | 0.9697 | 112 |
| NZD | 40,887 | 23.4142 | 957,336 | 75,024 | 22.5636 | 1,692,812 |
| EUR | 19,690 | 39.2104 | 772,053 | 26,644 | 38.9325 | 1,037,318 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items | | | | | | |
| USD | 1,604,490 | 30.29 | 8,600,002 | 1,710,777 | 29.152 | 49,872,571 |
| JPY | 5,910,282 | 0.3903 | 2,306,783 | 5,569,011 | 0.3581 | 1,994,263 |
| GBP | 5,846 | 46.7678 | 273,405 | 6,638 | 45.2001 | 300,038 |
| AUD | 40,802 | 30.7746 | 1,255,665 | 33,501 | 29.6913 | 994,688 |
| HKD | 96,229 | 3.8983 | 375,130 | 119,547 | 3.7499 | 448,289 |
| CAD | 8,113 | 29.6815 | 240,806 | 8,348 | 29.1665 | 243,482 |
| SGD | 1,077 | 23.3179 | 25,113 | 837 | 22.7217 | 19,018 |
| ZAR | 398,817 | 3.7211 | 1,484,038 | 168,140 | 4.4036 | 740,421 |
| CHF | 780 | 32.2063 | 25,121 | 371 | 31.1120 | 11,543 |
| NZD | 40,892 | 23.4142 | 957,453 | 75,087 | 22.5636 | 1,694,233 |
| EUR | 19,646 | 39.2104 | 770,328 | 27,971 | 38.9325 | 1,088,981 |

UNION BANK OF TAIWAN

ENDORSEMENTS/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2011

(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 | US\$ 16,207 | \$ 400,000 | \$ 400,000 | \$ 400,000 | 81.48 | US\$ 16,207 |

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

(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, 2011 | | | | Note |
|---|---|--|--|-----------------------------------|----------------|-------------------------|---------------------------------|--------|
| | | | | Shares/Piece/Units (In Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | |
| Union Finance and Leasing International Corporation | <u>Stock</u> | | | | | | | |
| | Masterlink Securities Corporation. | - | Available-for-sale financial assets | 872 | \$ 8,149 | 0.06% | \$ 8,149 | Note 4 |
| | Photronics Semiconductor Mask Corp. | - | Available-for-sale financial assets | 536 | 5,655 | 0.18% | 5,655 | Note 4 |
| | China Chemical Corporation | - | Available-for-sale financial assets | 356 | 6,077 | 0.11% | 6,077 | Note 4 |
| | Union Capital (Cayman) Corp. | Subsidiary | Equity investment - equity method | 50 | US\$ 16,207 | 100.00% | US\$ 16,207 | Note 1 |
| | New Asian Ventures Ltd. | Subsidiary | Equity investment - equity method | - | US\$ 2,486 | 100.00% | US\$ 2,486 | Note 1 |
| | WI Harper Group | - | Unquoted equity instruments | 667 | 2,533 | 3.33% | 3,492 | Note 1 |
| | ERA Communications Co., Ltd. | - | Unquoted equity instruments | 425 | 1,415 | 0.33% | 6,132 | Note 1 |
| | Yung Li Securities Co., Ltd. | - | Unquoted equity instruments | 1 | 487 | 0.99% | 389 | Note 1 |
| | Schmidt Technology Co., Ltd. | - | Unquoted equity instruments | 63 | - | 0.29% | 441 | Note 1 |
| | <u>Bond</u> | | | | | | | |
| | Taiwan Life Insurance Co., Ltd. | - | Financial assets designated at fair value through profit or loss | 500 | 46,215 | - | 46,215 | - |
| Union Information Technology Corporation | <u>Stock</u> | | | | | | | |
| | Jin Shang Chang Development Co., Ltd. | - | Available-for-sale financial assets | - | - | - | - | Note 4 |
| | ELTA Technology Co., Ltd. | - | Unquoted equity instruments | 2,000 | 17,132 | 16.33% | 25,999 | Note 3 |
| | eBizServe, Inc. | - | Unquoted equity instruments | 236 | 654 | 1.17% | 825 | Note 3 |
| | Xiehe E-commerce Co., Ltd. | - | Unquoted equity instruments | 169 | - | 7.99% | - | Note 3 |
| Union Finance International (HK) Limited | <u>Bond</u> | | | | | | | |
| | HBOS Capital Funding LP | - | Available-for-sale financial assets | 900 | US\$ 533 | - | US\$ 533 | - |
| | Penn West Energy | - | Available-for-sale financial assets | 29 | US\$ 574 | - | US\$ 574 | - |
| | <u>Stock</u> | | | | | | | |
| | ING Group N.V. | - | Available-for-sale financial assets | 33 | US\$ 617 | - | US\$ 617 | Note 4 |
| | Applied Materials Inc. | - | Financial assets at fair value through profit or loss | 3 | US\$ 1,181 | - | US\$ 1,181 | Note 4 |
| | Merck & Co., Inc. | - | Financial assets at fair value through profit or loss | 12 | US\$ 441 | - | US\$ 441 | Note 4 |
| | EBAY Inc. | - | Financial assets at fair value through profit or loss | 14 | US\$ 415 | - | US\$ 415 | Note 4 |
| | <u>Beneficial certificates</u> | | | | | | | |
| | Global Emerging Markets Debt Fund | - | Financial assets at fair value through profit or loss | 4 | US\$ 447 | - | US\$ 447 | Note 4 |

(Continued)

| Holding Company | Type and Issuer/Name of Marketable Securities | Issuer's Relationship with Holding Company | Financial Statement Account | December 31, 2011 | | | | Note |
|--------------------------------|---|--|-------------------------------------|-----------------------------------|----------------|-------------------------|---------------------------------|--------|
| | | | | Shares/Piece/Units (In Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | |
| Union Insurance Broker Company | <u>Stock</u> Asus Computer Corp. | - | Available-for-sale financial assets | 4 | \$ 820 | - | \$ 820 | Note 4 |
| | Pegatron Corporation | - | Available-for-sale financial assets | 8 | 277 | - | 277 | Note 4 |
| New Asian Ventures Ltd. | <u>Stock</u> Grace Thw Holding Limited | - | Unquoted equity instruments | 1,667 | US\$ 2,000 | 0.81% | US\$ 1,993 | Note 2 |

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, ERA Communications Co., Ltd., Yung Li Securities Co., Ltd. and Schmidt Technology Co., Ltd. - audited stockholders' equity as of December 31, 2011.
- b. New Asian Ventures Ltd. and Union Capital (Cayman) Corp. - the audited stockholders' equity as of December 31, 2011.

Note 2: New Asian Ventures Ltd.:

Grace Thw Holding Limited - unaudited stockholders equity as of December 31, 2011.

Note 3: Union Information Technology Corporation - the basis of the calculation of the market values of its investments is shown as follows:

- a. ELTA Technology Co., Ltd. - audited stockholders' equity as of December 31, 2011.
- b. eBizServe, Inc. - the audited stockholders' equity as of December 31, 2011.
- c. Xiehe E-commerce Co., Ltd. - unaudited stockholders' equity as of December 31, 2011.

Note 4: The market values 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. The market values of beneficial certificates were based on net asset values as of the balance sheet date.

(Concluded)

UNION BANK OF TAIWAN

ASSET QUALITY

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, %)

| Period | | December 31, 2011 | | | | | December 31, 2010 | | | | |
|--|-----------------------------------|---|--------------------|--|--------------------------------------|--------------------------------|---|--------------------|--|--------------------------------------|--------------------------------|
| 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 | \$ 400,865 | \$ 55,975,921 | 0.72% | \$ 772,445 | 176.69% | \$ 651,295 | \$ 47,862,791 | 1.36% | \$ 769,586 | 85.92% |
| | Unsecured | 36,301 | 23,550,123 | 0.15% | | | 244,446 | 24,884,802 | 0.98% | | |
| Consumer Banking | Housing mortgage (Note 4) | 171,979 | 99,904,119 | 0.17% | 970,379 | 564.24% | 258,371 | 107,260,319 | 0.24% | 109,801 | 42.50% |
| | Cash card | 29,672 | 352,450 | 8.42% | 53,017 | 178.68% | 150,215 | 635,823 | 23.63% | 359,715 | 239.47% |
| | Small scale credit loans (Note 5) | 41,041 | 3,136,699 | 1.31% | 47,569 | 115.91% | 89,766 | 2,047,095 | 4.39% | 189,460 | 211.06% |
| | Other (Note 6) | Secured | 9,894 | 7,333,885 | 0.13% | 83,381 | 701.09% | 9,814 | 5,220,717 | 0.19% | 7,131 |
| Unsecured | | 1,999 | 1,250,498 | 0.16% | 5,598 | | | 2,288,868 | 0.24% | | |
| Deposits and Remittances | Certificates of deposit | - | 1,103,089 | - | - | - | - | 892,377 | - | - | - |
| Loan | | 691,751 | 192,606,784 | 0.36% | 1,926,791 | 278.54% | 1,409,505 | 191,092,792 | 0.74% | 1,435,693 | 101.86% |
| | | 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 | | 36,116 | 13,374,834 | 0.27% | 298,653 | 826.93% | 97,189 | 14,858,556 | 0.65% | 500,784 | 515.27% |
| Accounts receivable factored 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, 2011 | | December 31, 2010 | |
|-------|--|---|---|---|---|
| | | 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) | \$ 261,682 | \$ 1,103,340 | \$ 347,757 | \$ 1,595,038 |
| | Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2) | 62,089 | 1,085,042 | 77,085 | 1,100,915 |
| | Total | 323,771 | 2,188,382 | 424,842 | 2,695,953 |

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, 2011
 (In Thousands of New Taiwan Dollars)

| Investee Company | Location | Main Businesses and Products | Percentage of Ownership | Carrying Value | Investment Gain (Loss) | 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 Finance and Leasing International Corporation | Taipei | Installment, leasing and accounts receivable factoring | 100.00% | \$ 806,789 | \$ 62,941 | 70,000 | | 70,000 | 100.00% | Note |
| Union Finance International (HK) Limited | Hong Kong | Import and export accommodation | 99.99% | 80,941 | 2,566 | 30,002 | | 30,002 | 100.00% | Note |
| Union Securities Investment Trust Corporation | Taipei | Securities investment trust | 35.00% | 121,178 | 5,033 | 13,096 | | 13,096 | 43.65% | Note |
| Union Insurance Broker Company | Taipei | Personal insurance agency | 100.00% | 24,793 | 15,969 | 500 | | 500 | 100.00% | Note |
| Taiwan Asset Management Corporation | Taipei | Purchase, sell and manage nonperforming loans from financial institution | 0.57% | 100,000 | 7,072 | 10,000 | | 10,000 | 0.57% | |
| Taiwan Financial Asset Service Corporation | Taipei | Property auction | 2.94% | 50,000 | 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 | 507 | 386 | | 386 | 6.44% | |
| Taipei Forex Inc. | Taipei | Foreign exchange brokering | 0.81% | 2,113 | 511 | 160 | | 160 | 0.81% | |
| Fu Hua Venture Corporation | Taipei | Investments | 5.00% | 23,926 | - | 3,000 | | 3,000 | 5.00% | |
| Jiao Da Venture Corporation | Taipei | Investment | 5.00% | 3,316 | - | 1,193 | | 1,193 | 5.00% | |
| Li Yu Venture Corporation | Taipei | Investment | 4.76% | 7,946 | - | 1,008 | | 1,008 | 4.76% | |
| Taiwan Futures Exchange Co., Ltd. | Taipei | Futures clearing | 2.04% | 71,250 | 8,168 | 5,538 | | 5,538 | 2.04% | |
| <u>Nonfinancial-related</u> | | | | | | | | | | |
| Union Information Technology Corporation | Taipei | Software and hardware product retail and distribution services | 99.99% | 14,372 | (8,471) | 1,000 | | 1,000 | 99.99% | Note |
| Union Real-Estate Management Corporation | Taipei | Construction plan review and consulting | 40.00% | 66,721 | 12,676 | 4,000 | | 4,000 | 80.00% | Note |
| Financial Information Service Co., Ltd. | Taipei | Information service | 2.39% | 118,782 | 11,971 | 10,774 | | 10,774 | 2.39% | |
| Taiwan Depository & Clearing Corporation | Taipei | Financial service | 0.25% | 13,916 | 928 | 779 | | 779 | 0.25% | |
| Lian An Service Corporation | Taipei | Security service | 5.00% | 1,501 | 100 | 125 | | 125 | 5.00% | |
| Save Com International Inc. | Taipei | Telecommunication and network integration | 0.07% | 75 | - | 63 | | 63 | 0.07% | |
| Taiwan Power Corporation | Taipei | Electricity-related business | 0.0012% | 6,123 | - | 395 | | 395 | 0.0012% | |
| Global Communication Semiconductor, Inc. | U.S.A. | Semiconductor business | 0.85% | 9,185 | - | 278 | | 278 | 0.85% | |

Note: The investees' information shown above is based on audited financial reports as of December 31, 2011.