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

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

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

# 2012 Annual Report



## **I. Spokesman**

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

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## **Second Spokesman**

Name: Mr. Yanger Yang / Title: Department Manager

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

**Please refer to page 121 ~124.**

## **III. Stock Registration Office**

Name: MasterLink Securities Corp.

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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. Vincent Cheng

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 2012**

#### **(1) Domestic and International Financial Environment**

The global economy experienced a slowdown during 2012 as a result of the Euro-zone crisis, weakening economic momentum in the US and a slowdown in the growth of emerging economies such as the Chinese economy. Other than the adverse impact these unfavorable global economic conditions had on the domestic economy, rising domestic petrol and electricity prices further impeded the growth in the domestic economy.

According to the data of the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, Taiwan's economic growth rate slipped to only 1.26% in 2012, a significant drop of 2.81% from the 4.07% attained in 2011. It had thus indirectly reduced our general purchasing power and willingness to invest. Although the Central Bank has maintained its stance on keeping the interest rate unchanged, banking sector's overall profitability has improved due to excellent asset quality, constant invest revenue and the gradual increase in interest rate spread.

#### **(2) Changes in Bank Organization**

The Bank now operates 88 domestic branches with the addition of a new branch in 2012.

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

In 2012, the Bank still achieved an outstanding 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 2012 was 2.614 billion NT dollars (NTD), showing a 43.08% growth compared to that attained in 2011. After tax EPS was 1.41 NTD; Return on Assets was 0.65%. Return on Equity was 11.35%; Non-performing loan (NPL) rate reduced significantly to 0.23%, Loan Loss Coverage Ratio increased substantially to 466.48%; the Bank's credit rating was upgraded to "twA/twA-1" and outlook was revised as "Stable" by Taiwan Ratings Corporation on December 27, 2012. Overall, the Bank's operation, capital position, earning performance and asset quality all improved. Many financial indicators even surpassed the annual industry average of all domestic banks as a whole.

#### **(4) Revenue/Expenditure and Profitability**

Total income for 2012 amounted to 7.43 billion NTD which consists of a net interest income of 5.711 billion NTD and a net non-interest income of 1.719 billion NTD. It

## **Letter to Shareholders**

represented a growth rate of 1.68% or an increase of 123 million NTD when compared to the 7.307 billion NTD of 2011. The total profit before tax is 3.04 billion NTD (which was 101% of the annual target of 3.0 billion NTD), representing an increase of 819 million NTD or a 36.9% growth compared with those of 2011.

### **2. Credit Rating**

Rating Agency	Date of Rating	Rating Results		Outlook
Taiwan Ratings Corporation	Dec. 27, 2012	Long-Term: twA	Short-Term: twA-1	Stable

### **3. 2012 Business Plan**

- (1) The Bank has a principle of pursuing stable growth without engaging in aggressive price war. We offer the best services at reasonable prices. Our business development policies for major business segments are as follows:
  1. Deposit: Design various deposit packages to solicit new deposits by targeting customers with savings and a stable source of income. Continue to boost added functions of deposits such as Travel Debit and bill payment services to enhance the bank-customer relationship.
  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, MIT 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 work in alliance with good car dealer by offering special loan projects to stabilize the channel of used car loans. Design various consumer loan packages for different target groups according to market demands.
  4. Credit Card Business: Design Cards with services which cater for different consumption attributes and are competitive in the market. Initiate various promotion activities to stimulate credit card purchases thus increase income from this field. Enhance the follow-up of credit card usage after the launch of the credit card campaigns at branches; aggressively solicit new businesses from large enterprises and franchises to increase the bank's market share in the bill payment market.
  5. Wealth Management Business: enhance the development of effective clients to increase market share. Carefully select investment targets and ensure control of the product marketing process. Continue to introduce multifaceted products to enhance diversity in the asset allocation of wealth management customers.

- (2) Channel Expansion:
1. The Bank has currently 88 domestic branches. Plan to complete a service network of 90 branches in Taiwan in 2013. In response to the internationalization trend in the market, the Bank has obtained approval from Financial Supervisory Commission to apply a branch license in Hong Kong to expand its business operations into overseas market.
  2. The Bank has been actively pursuing the expansion of off-site ATM services to offer customers more convenient services with the aim of enhancing the Bank's image and reputation. As at December 31, 2012, the Bank operated a total of 703 on-site and off-site ATMs.
- (3) The Bank's Projected Operating Targets for 2013
1. Deposits are forecasted to grow by 11.42% to 378.7 billion NTD.
  2. Loans are forecasted to grow by 4.36% to 210.4 billion NTD (excluding credit cards business).
  3. Foreign exchange turnover is forecasted to total US\$ 4.349 billion.
  4. Improvements in related business performance indicators: including maintaining the NPL ratio at the current level or reducing it to below the industry average, increasing the bad debt coverage ratio, maintaining the loan coverage ratio at above 1% and increase the BIS ratio to above 12%.

## Letter to Shareholders

### 4. External Factors and Future Development Strategies

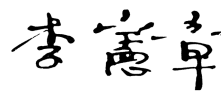
Slow economic recovery is anticipated for 2013 in spite of the continuing global recession in the wake of Euro-zone crisis, unresolved Fed issues in the US and toughening international trade conditions as a result of major depreciation in the Japanese Yen. Global economic recovery will act as a catalyst for recovery in the domestic market. As such, the domestic banking sector will see improvements in loans, wealth management and return on investments. Cross-strait financial interactions are also to boost sales turnover in the various business areas of banks. We thus expect the banking sector to benefit from these favorable factors and sustain growth in the long term.

To meet with the challenges of different variations 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 exert the branch network's 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



Chairman Shiang-Chang Lee

總經理



President Jeff Lin



# **BANK PROFILE**

## **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 2012 and Current Year Up to the Printing Date of the Annual Report**

None

## **3. Is the Bank a Member Firm of a Specific Financial Holding Company**

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

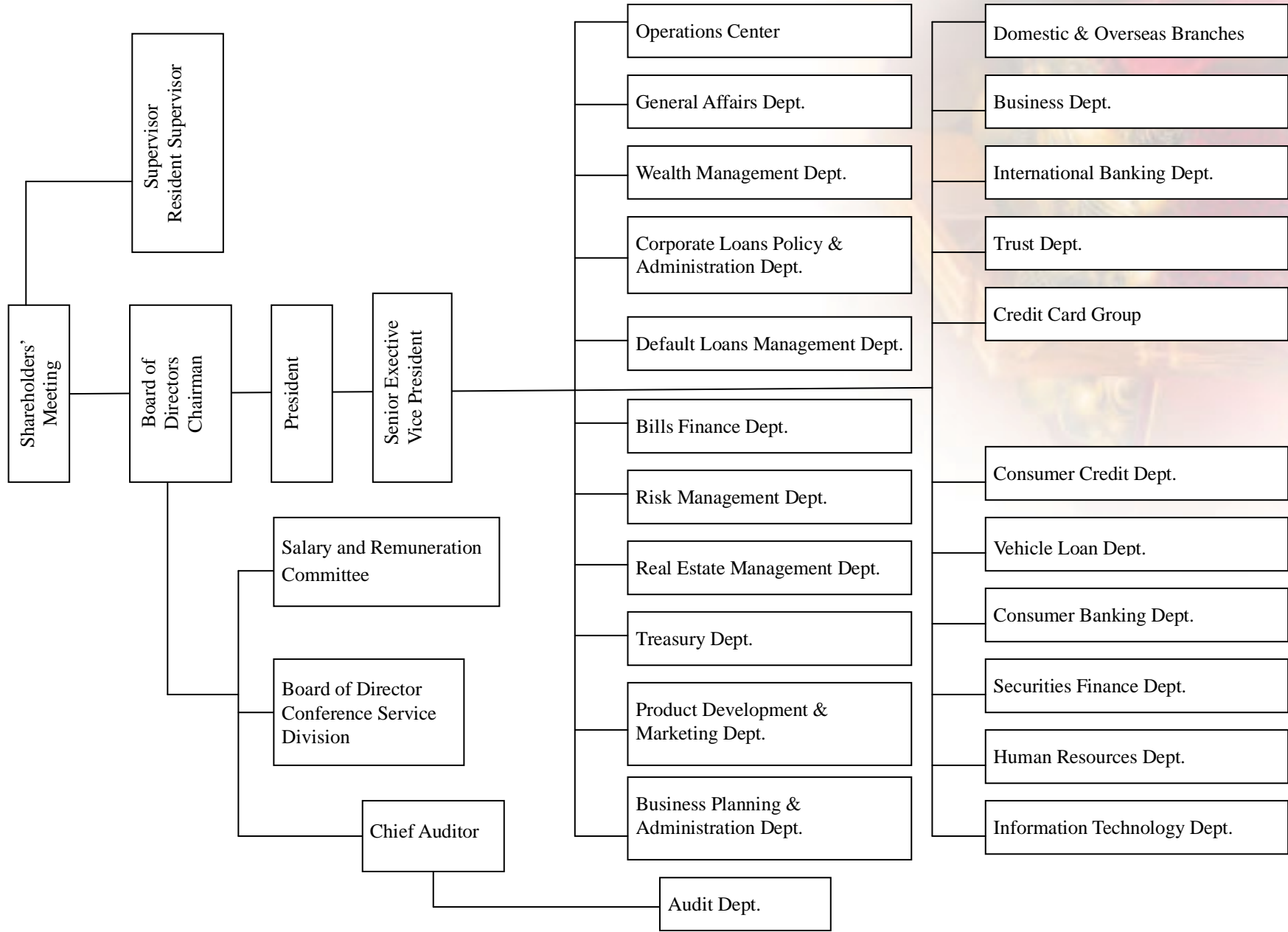
## **4. Significant Transfers or Changes in Shareholding of Directors, Supervisors and Parties Required to Declare Ownership of Shares Under Paragraph 3, Article 25 of the Banking Act.**

Refer to “Changes in Share Ownership of Directors, Supervisors, Managerial Officers or Parties Required to Declare Changes in Share Ownership Under Article 11 of the Regulations Governing the Management of Voting Shares Owned By the Same Person or the Same Related Party in the Same Bank That Reached a Certain Percentage” of the “Corporate Governance Report” .

## **5. Changes in Management Rights, Management Mode or Other Significant business Changes During 2012 and Current Year Up to the Printing Date of the Annual Report**

None

**1. Organization Structure**  
(1) Organization Chart



## Corporate Governance

(2) Responsibilities of each department:

Audit Department:

Responsible for performing internal audit, planning internal controls systems and reviewing credit applications.

Business Planning & Administration Department:

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

Product Development & Marketing Department:

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

Treasury Department:

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

Real Estate Management Department:

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

Risk Management Department:

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

Bills Finance Department:

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

Default Loans Management Department:

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

Corporate Loan Policy & Administration Department:

Responsible for the promotion and management of corporate banking businesses.

Wealth Management Department:

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

General Affairs Department:

Response for the procurement of supplies, management of the bank's properties and acting as the bank's treasurer.

Operations Center:

Responsible for the establishment of files, disposition of transactional accounts and management of archives.

Information Technology Department:

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

Human Resources Department:

Responsible for planning human resources.

## Corporate Governance

Securities Finance Department:

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

Consumer Banking Department:

Responsible for the promotion and management of consumer banking businesses.

Vehicle Loan Department:

Responsible for planning, promoting and managing the vehicle loan business.

Consumer Credit Department:

Responsible for the promotion and management of consumer credit businesses.

Credit Card Group:

Responsible for promoting and servicing the credit and business and exclusive shops.

Trust Department:

Responsible for trust business, custodian banking and certification services.

International Banking Department:

Responsible for foreign exchange businesses and establishing and managing the overseas branches.

# Corporate Governance

## 2. Information on Directors, Supervisors, and Executive Officers

### (1) Directors and Supervisors A. General Information

Recordation Date: March 31, 2013 ( Shares Holding Recordation Date: April 16, 2013 )

Unit: Shares ; %

Title	Name	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Spouse & Minor 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	2012.06.22	3 Yrs	1991.12.10	1,016,944	0.052%	1,057,621	0.052%	1,658,540	0.081%	-	-	National Taiwan University; President of UBOT	Union Finance International (HK) Director - Taiwan Futures Exchange supervisor	None	None	None
Independent Managing Director	Kao-Jing Wang	2012.06.22	3 Yrs	2009.06.19	-	-	-	-	-	-	-	-	Master's Degree, University of North Dakota; SEVP, Bank of Taiwan	-	None	None	None
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang	2012.06.22	3 Yrs	2012.06.22	51,707,476	2.653%	97,955,381	4.833%	2,084,931	0.102%	-	-	National Defense Medical School; Commissioner of International Rotary Club	Managing Director of Union Optronics Corp.	None	None	None
Independent Director	Zen-Fa Lu	2012.06.22	3 Yrs	2009.06.19	-	-	-	-	-	-	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute; Prosecutor General of Supreme Prosecutors Office	-	None	None	None

# Corporate Governance

Title	Name	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Spouse & Minor 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	2012.06.22	3 Yrs	2009.06.19	2,650,963	0.136%	2,757,001	0.136%	-	-	-	-	National Taiwan Normal University; Supervisor of First Commercial Bank	Chairman of TWT Communication Corp.; Director of Taiwan 1 <sup>st</sup> Media Co., Ltd.; Director of Yu-Quan Multiple Development Co., Ltd. Director of Tien-How Construction Co., Ltd. T-Movies Co., Ltd.	None	None	None
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	2012.06.22	3 Yrs	1991.12.10	68,477,951	3.514%	71,217,069	3.514%	4,383,229	0.216%	-	-	Master's Degree, National Taiwan University; President of Union Bank of Taiwan	Supervisor of Union Recreation Enterprise Co., Ltd.; Director of The Liberty Times Managing Director of Union Dyeing and Finishing Co., Ltd. Director of Union Finance International (HK)	None	None	None
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	2012.06.22	3 Yrs	2012.06.22	51,707,476	2.653%	97,955,381	4.833%	630,506	0.031%	-	-	National Taiwan University Chairman of Union Bills Finance Corp	-	None	None	None
Director	Yu-Pang Co., Ltd. Representative: Sue-Feng Tsao	2012.06.22	3 Yrs	1994.06.01	28,605,984	1.468%	29,750,223	1.468%	2,770	-	-	-	Taipei Commercial Academy Director of Tien-Sheng Investment Co., Ltd.	Director of Hung-Peng Construction Enterprise Co., Ltd.; Supervisor of Union Realstate Management Corp.; Director of Tien-Sheng Investment 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 & Minor 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	Chi-Shun Investment Co., Ltd. Representative: Jin-Fu Liu	2012.06.22	3 Yrs	2012.06.22	70,115,261	3.598%	72,919,871	3.598%	-	-	-	-	Taipei Technical Academy; Director of Li-Chang Ceramics Co., Ltd.	Director of Li-Chang Ceramics Co., Ltd.	None	None	None
Resident Supervisor	Pao-Shing Investment Co., Ltd. Representative: Jia-Yi Wang	2012.06.22	3 Yrs	2006.06.09	68,525,970	3.516%	71,267,008	3.516%	-	-	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute; President of Supreme Court	-	None	None	None
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	2012.06.22	3 Yrs	2006.06.09	68,525,970	3.516%	71,267,008	3.516%	377,357	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 & Minor 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	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	2012.06.22	3 Yrs	2012.06.22	98,498,074	5.055%	104,185,196	5.141%	1,402,154	0.069%	-	-	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. Supervisor of Song-Mai investment Director of Kang-Hong investment Co., Ltd	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
Union Enterprise Construction Co., Ltd.	Lin Chang Su-O, Hong-Yao Lin, Ya-Juan Lin, & Hong-Bang Lin
Pao-Shing Investment Co., Ltd.	Chiu-Tze Lin, Chuan-Jong Chang, Chiao-Yun Huang,
Chen-Chern Investment Co., Ltd.	Tsong-Yu Lee, Lin Chang Su-O
Chi-Shun Investment Co., Ltd.	Jyh-Dong Chen, Union Enterprise Construction Co., Ltd.
Pai-Sheng Investment Co., Ltd.	Si-Yong Lin, Hsiu-Ching Lee

### C. Professional Knowledge and Independence Information of Directors and Supervisors

Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)										Serving as an independent director of other public companies
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Shiang-Chang Lee			√	√		√	√	√		√	√	√	√	-
Kao-Jing Wang			√	√	√	√	√	√	√	√	√	√	√	-
Zhen-Xong Jiang			√	√		√	√	√		√	√	√	√	-
Zen-Fa Lu		√	√	√	√	√	√	√	√	√	√	√	√	-
Jin-Fu Liu			√	√		√	√	√		√	√	√	√	-
Yu-Quan Lee			√	√		√	√	√		√	√	√	√	-
Jeff Lin			√			√		√		√	√	√		-

## Corporate Governance

Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)										Serving as an independent director of other public companies
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Yao-Nan Lai			√	√		√	√	√	√	√	√	√		-
Sue-Feng Tsao			√	√		√	√			√	√	√		-
Jia-Yi Wang		√	√	√		√	√	√	√	√	√	√		-
Zhen-Lu Lin			√	√		√	√	√	√	√	√	√		-
Si-Yong Lin			√	√		√	√			√	√	√		-

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

(1): Instructor, or higher up, of a public or private junior college, college or university, in Business, Law, Finance, Accounting or other departments as required by corporate business.

(2): Judge, prosecutor, solicitor, Certified Public Account or professionally qualified and technical person as required by the company.

(3): Experience in Business, Law, Finance, Accounting or as required by corporate business.

Note 2: 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. Excluding members of the remuneration committee that exercise powers in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(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.

## Corporate Governance

### D. Director and Supervisors' Training Records

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements <sup>Note</sup>
		From	To				
Chairman	Shiang-Chang Lee	2012.12.10	2012.12.10	Accounting Research and Development Foundation	Cases of Guidance Provided by the Competent Authority's "IFRS Service Center" and the latest directions of amendments to the IFRS	3	Yes
Independent Managing Director	Kao-Jing Wang	2012.05.11	2012.05.11	Securities & Futures Institute	Information Session and Symposium for Functions of Independent Directors of Companies Listed on the Stock Exchange	3	Yes
		2012.10.25	2012.10.25	Securities & Futures Institute	8 <sup>th</sup> Board of Taipei Corporate Governance Forum	6	Yes
		2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Managing Director	Zhen-Xong Jiang	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Independent Director	Zen-Fa Lu	2012.05.11	2012.05.11	Securities & Futures Institute	Information Session and Symposium for Functions of Independent Directors of Companies Listed on the Stock Exchange	3	Yes
Director	Jin-Fu Liu	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Director	Yu-Quan Lee	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Director	Jeff Lin	2012.05.18	2012.05.18	Trust Association of R.O.C.	Seminar of Urban Development Case study	3	Yes

## Corporate Governance

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements <sup>Note</sup>
		From	To				
		2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Director	Yao-Nan Lai	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Director	Sue-Feng Tsao	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Supervisor	Jia-Yi Wang	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Supervisor	Zhen-Lu Lin	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes
Supervisor	Si-Yong Lin	2012.12.03	2012.12.03	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Protection of the rights of banking consumers and investors)	3	Yes

# Corporate Governance

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

Recordation Date: March 31, 2013 ( Shares Holding Recordation Date: April 24, 2013 )

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	LIN, HONG-LIAN (Jeff Lin)	2006.08.02	4,383,229	0.216%	0	0	0	0	Master's 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	CHAN, YING-PO (Yin-Bor Chan)	2006.07.01	257,562	0.012%	0	0	0	0	Tamkang University; EVP of UBOT	Supervisor of Union Finance & Leasing (International) Co., Ltd.	None	None	None
SEVP & GM of Risk Management Dept.	TU, HER-MAN (Herman Tu)	2006.07.01	138,873	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.	LIU, CHENG-YU (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	KANG, KUO-PAO (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	JEAN, JIA-CHING (Patrick Jean)	2010.10.21	68,112	0.003%	0	0	0	0	National Cheng Chi University VP of UBOT	-	None	None	None
EVP & GM of Vehicle Loan Department	HSIEH CHENG-JUH (Cheng-Juh Hsieh)	2011.04.01	208,221	0.01%	0	0	0	0	University of South Australia Graduate School General Manager of Union Finance & Leasing (International) Corporation	Director of Union Finance & Leasing (Int' l) Corporation, Director of Union Capital (Cayman) Corp, Director of New Asian Ventures Ltd.	None	None	None
VP	CHIEN, HUNG-MING (Peter Chien)	2006.06.26	41,257	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.	YANG, CHU-CHANG (Yanger Yang)	2006.06.22	0	0	0	0	0	0	Master's 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.	HSIA, KUO - HSIEN (Kuo-Shien Shia)	2005.06.27	0	0	7,864	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

## 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 Consumer Credit Dept.	TANG, PI-CHIU (Joy Tang)	2004.03.22	36,103	0.001%	0	0	0	0	Master's Degree, Memphis State University; VP & Deputy GM of Consumer Banking Dept.	-	None	None	None
VP & GM of Trust Dept.	TSAI, HANN-TSAU (Hann-Tsau Tsai)	2006.06.22	179,333	0.008%	1,572	0	0	0	Chung Yuan Christian University; VP & GM of Business Planning & Admin. Dept of UBOT	-	None	None	None
VP & GM of Wealth Management Dept.	HSU TING-YU (Sophie Hsu)	2005.11.21	0	0	0	0	0	0	Master's 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.	YANG, HUI-CHIN	2013.03.20	0	0	0	0	0	0	Feng Jia University First Securities Fong Yuan Branch Manager	-	None	None	None
VP & GM of Bills Finance Dept.	LEE, YAO-HSIEN (Yao-Hsien Lee)	2010.08.16	47,515	0.002%	0	0	0	0	Feng Jia University Manager of Union Bills Finance Corp.	-	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 Treasury Dept.	TANG, CHIAN-YANG (Tarsicio Tong)	1998.09.01	42,360	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.	KAO, YAO-TSUNG (Yan-Tsung Kao)	2009.04.01	14,705	0	0	0	0	0	Soochow University VP & Branch Manager of Fucheng Branch	-	None	None	None
VP & GM of Real Estate Management Dept.	LI, JUN-NAN (Michael Lee)	2004.03.05	501	0	0	0	0	0	Master's Degree, National Cheng Chi University; VP & Branch Manager of Hueilong Branch	-	None	None	None
GM of Product Development & Marketing Dept.	SHENG, PI - SHIA (Pauline Sheng)	2008.11.01	3,932	0	0	0	0	0	Tamkang University; VP & Branch Manager of Wenlin Mini Branch	Director of Li-Yu Venture Co., Director of Euroc III Venture Capital. Corp. Director of Jiao Da Venture Corporation	None	None	None
VP & GM of Information Technology Dept.	YANG, FENG-JUNG (Luke Yang)	2006.07.01	48,763	0.002%	0	0	0	0	Master's 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.	LIN, HSIAO-CHEN (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



## 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 General Affairs Dept.	CHANG, YU-CHANG (Russell YC Chang)	2003.10.01	88,161	0.0049%	0	0	0	0	Taiwan Institute of Technology; VP & Deputy GM of General Affairs Dept.	-	None	None	None
VP & GM of Operations Center	HSUEH, SHU-FENG (Shu-Feng Hsueh)	2005.09.06	6,292	0	1,685	0	0	0	National Cheng Chi University; AVP of Hsintien Branch	-	None	None	None
Executive Director of Credit Card Group	LIN, YU-TANG (Terrence Lin)	2012.08.15		0	0	0	0	0	Master's degree, National Taiwan University Citi Bank, Vice President, Credit Card 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	TSENG, MENG -YUN (Connie Tseng)	2010.09.01	0	0	0	0	0	0	Master's 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	LU, MEI-CHIH (Lisa Lu)	2010.09.01	26,503	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

## 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 Business Dept.	YU, LIN-SHENG (Lin-Sheng Yu)	2008.05.05	3,932	0	0	0	0	0	National Taiwan Ocean University; VP & Branch Manager of Luchou Branch	-	None	None	None
EVP & Branch Manager of Taipei Branch	Chi-Pin Chen	2009.04.01	395	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	36,247	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

## 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 Chungli Branch	Chang-Yung Chen	2000.08.23	106,914	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
VP & Branch Manager of Sanchung Branch	Steven Huang	2007.06.01	8,439	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	17,669	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-Hul 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-Hui Lin	2008.05.16	0	0	0	0	0	0	Aletheia University; Manager of En Tie 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 Yuanlin Branch	Wen-Jui Chou	2013.04.01	0	0	0	0	0	0	Master's Degree, Tamkang University; Branch manager of Minchuan Branch of Bill Finance Dept.	-	None	None	None
VP & Branch Manager of Jenai Branch	Wendy Chi	2009.11.16	35,999	0.001%	0	0	0	0	Master's 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	88,200	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's Degree, University of Dallas. VP & Manager of Taipei Corporate Banking Center	-	None	None	None
VP & Branch Manager of Chiuju Branch	Lister Lee	2000.06.01	53,483	0.002%	0	0	0	0	National Cheng Kung University- Open Junior College of Commerce; Manager of Kaohsiung 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 Shuanho Branch	Chang-Chen Lin	2012.07.09	0	0	0	0	0	0	National Taiwan University VP & Deputy Branch Manager of Hsintien Branch	-	None	None	None
VP & Branch Manager of Hueilong Branch	Ru-Ji Cheng	2004.03.05	489	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 Kungkuang Branch	Simon Wang	2009.11.16	1,397	0	0	0	0	0	Master's Degree, National Cheng Chi University; VP & Branch Manager of Chungho Branch	-	None	None	None
VP & Branch Manager of Neili Branch	Shen-Yung Peng	2013.04.01	17,880	0	810	0	0	0	Ching Yun University; VP & Branch Manager of Tunhwa Branch	-	None	None	None
VP & Branch Manager of Chunghsiao Branch	Jane Lu	2003.10.01	26,945	0.001%	0	0	0	0	Master's Degree, University of Illinois; VP & Branch Manager of Tunghua Mini 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 Hsinchuang Branch	Jeffery Tsai	2006.06.26	15,600	0	0	0	0	0	Master's Degree, Fu Jen Catholic University; VP & Deputy Branch Manager of Hsinchuang Branch	-	None	None	None
VP & Branch Manager of Fengshan Branch	Kuen-Yuan Tsai	1999.10.25	1,153	0	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	4,429	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	15,642	0	0	0	0	0	Master's Degree, National Central University; VP & Branch Manager of Neili Branch	-	None	None	None
VP & Branch Manager of Hsintien Branch	Shih-Shien Chene	2012.07.09	0	0	0	0	0	0	National Taiwan University of Science and Technology; Sindian Branch Manager of Yuanta Bank	-	None	None	None

## Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Tatze Branch	Tereasa Lin	2009.01.01	290	0	0	0	0	0	Chihlee Institute of Technology; Head of Jenai Consumer loan center, Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Chungshan Mini Branch	Li-Jen Wong	2006.12.01	705	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	9,967	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's Degree, Tamkang University; VP & Branch Manager of Hsinchu Branch	-	None	None	None
VP & Branch Manager of Chungho Branch	Wu-Lien Peng	2009.11.16	325,950	0.016%	9,754	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	251,507	0.012%	0	0	0	0	Chung Yuan Christian University; VP & Branch Manager of Hoping 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 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
VP & Branch Manager of Yungho Branch	Hsiu-Yun Su	2005.03.19	0	0	0	0	0	0	Master's 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	23,920	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	520	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	69,209	0.003%	0	0	0	0	Master's Degree, Aletheia University; AVP of Breeze Center Mini Branch	-	None	None	None



## Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Changchun Branch	Patty Chen	2013.03.21	1,263	0	0	0	0	0	Open Business College Affiliated with National Taipei College of Business Manager of Wealth Management Dept.	-	None	None	None
VP & Branch Manager of Sungchiang Branch	Ching-Shan Chang	2005.03.19	0	0	0	0	0	0	Master's 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	18,876		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	105,297	0.005%	-	-	-	-	Takming College; VP & Deputy GM 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 Tungmen Branch	Jimmy Chou	2007.06.11	628	0	0	0	0	0	Master's Degree, National Taipei University; VP & Deputy GM of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Tunhwa Branch	Gary Tsai	2013.04.01	0	0	0	0	0	0	Lunghwa University of Science and Technology; Head of Nanking E. Rd. Loan Center Consumer Banking Dept.	-	None	None	None
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	8,953	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	89,475	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

## Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of North Chungho Mini Branch	Hedy Wei	2010.08.16	403	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
VP & Branch Manager of Shulin Branch	Yen-Jou Liu	2012.05.03	1,189	0	0	0	0	0	Shih Hsin Senior high School; V.P. & Deputy Branch Manager of Hueilong Branch	-	None	None	None
VP & Branch Manager of Hsichih Branch	Hung-Min Chen	2012.07.09	20,049	0	193	0	0	0	Feng Chia University; VP & Branch Manager of Shuanho Branch	-	None	None	None
VP & Branch Manger of North Taoyuan Branch	James Tsai	2005.03.19	25,965	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	110,467	0.005%	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce; Head of Consumer Banking Dept.	-	None	None	None

## Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of North Taichung Branch	Hui-Fen Chao	2005.03.19	57,829	0.002%	0	0	0	0	Chihlee Institute of Technology; Senior AVP of Wenshin Branch	-	None	None	None
VP & Branch Manager of Minchuan Branch	Jeng-Ping Liu	2007.11.05	99,721	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	8,367	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	14,943	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	29,887	0.001%	0	0	0	0	National Open University; Senior AVP 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 East Chiayi Branch	Shan-Chih Yen	2005.03.19	37,102	0.001%	2,776	0	0	0	0	Master's Degree, Chiayi University; Senior AVP of National Cash Card Dept.	Supervisor of Zhong-Guan Foods Enterprise Co., Ltd.	None	None	None
VP & Branch Manager of Fucheng Branch	Hsien-Ming Yen	2009.04.01	0	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	23,595	0.001%	0	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	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	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	9,754	0	0	0	0	0	0	Kun Shan University; Senior AVP of Tainan 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 Lingya Branch	Feng-Li Lin	2005.03.19	25,168	0.001%	0	0	0	0	Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch	-	None	None	None
VP & Branch Manager of North Kaohsiung Branch	Miao-Hui Yeh	2005.03.19	64,366	0.003%	0	0	0	0	Master's Degree, New York University; VP & Deputy Branch Manager of Chiuju Branch	-	None	None	None
VP & Branch Manager of Sanmin Branch	Miranda Tsai	2009.08.01	2,358	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	31,458	0.001%	0	0	0	0	Master's 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

## 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 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	27,407	0.001%	0	0	0	0	Tamkang University; VP & Deputy Branch Manager of Taipei Branch		None	None	None
VP & Branch Manager of Tenshin Branch	Ru-Jwu Tsai	2009.01.01	1,959	0	699	0	0	0	Soochow University; Special Assistant of Head office Administration		None	None	None
VP & Branch Manager of Ankang Branch	Chan-Kwei Chen	2009.12.01	41,847	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	37,724	0.001%	12,868	0	-	-	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	398	0	0	0	0	0	Takming College; Senior AVP, Nankan 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 Linkou Branch	Shiu-Lan Hsieh	2008.12.04	12,480	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
VP & Branch Manager of Wugu Branch	Chao-Chuen Chuang	2009.11.01	0	0	0	0	0	0	Master's 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	12,499	0	0	0	0	0	National Sun Yat-sen University Senior AVP of Gueishan 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 Tucheng Branch	Kun-Cheng Zhou	2010.1.25	423	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
VP & Branch Manager of JiSian Branch	Guo Jim	2012.10.12	0	0	0	0	0	0	Master's degree National Cheng Kung University; VP& Deputy Manager Corporate Loan Dept. of Esun Bank	-	None	None	None

## (3) Remuneration of Directors, Supervisors, President and SEVP for the Latest Fiscal Year A. Director's Remuneration

Unit: NT Dollar Thousand, December 31, 2012

Title	Name	Directors' Remuneration		Remuneration of Part-time Employees		Total of (A,B,C and D) as a % of Net profit after tax		Total of (A, B,C,D, E,F & G) as a % of Net profit after tax		Remuneration from Investee Companies Excluding Subsidiaries		
		Remuneration (A)	Termination payment and pension costs (B)	Director's Remuneration (C)	Costs Incurred to Perform Duties(D)	Total of (A,B,C and D) as a % of Net profit after tax	Total of (A, B,C,D, E,F & G) as a % of Net profit after tax	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	124
Chairman	Shiang-Chang Lee	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Independent Managing Director	Kao-Jing Wang	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Independent Director	Zen-Fa Lu	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Director	Yu-Quan Lee	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao	8,340	0	0	2,631	0.42%	0.42%	0	0	0	0	Nil

Note 1 :Remuneration to the driver amounted to NT\$813,000.

# Corporate Governance

## Remuneration Range

Unit: NT Dollar

Range of Remuneration Paid to Directors	Name of Directors			
	Total of A,B,C and D		Total of A, B,C,D, E,F & G	
	UBOT	All the Companies in the Consolidated Statement	UBOT	All the Companies in the Consolidated Statement
Less than 2,000,000	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee
Total	9	9	9	9

## B. Supervisor's Remuneration

Unit: NT Dollar Thousand, December 31, 2012

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	Pao-Shing Investment Co., Ltd. Representative: Jia-Yi Wang												
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	641	641	0	0	0	0	562	562	0.05%	0.05%	Nil	
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin												

# Corporate Governance

## Remuneration Range

Unit: NT Dollar

Range of Remuneration Paid to Supervisors	Name of Supervisors	
	Total of A,B,C and D	
	UBOT	All the Companies in the Financial 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

Unit: NT Dollar Thousand, December 31, 2012

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 Financial Statement	The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend	The Bank	All Companies in the Financial Statement		The Bank	All Companies in the Financial Statement
President	Jeff Lin																	
SEVP	Yin-Bor Chan																	
SEVP	Herman Tu	10,819	10,819	0	0	5,005	5,005	0	0	0	0	0.61%	0.61%	0	0	Nil		
SEVP	Cheng-Yu Liu																	
Chief Auditor	Kuo-Pao Kang																	

Note : Remuneration to the Company's three drivers totalled NT\$ 1,957,000.

Unit: NT Dollar

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 Financial 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, Senior Executive Vice President and Chief Auditor, as a percentage of net profit after tax in the latest two years, Remuneration Policy, Standard and Combination, Procedure for determining remuneration and their relationship to operating results and future risk

## Corporate Governance

- A. The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2011 is NT\$25,956,000 and its ratio to net profit after tax is 1.42%.
- B. The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2012 is NT\$27,998,000 and its ratio to net profit after tax is 1.07%.
- C. 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 2012(3 meetings/7<sup>th</sup> Board · 4 meetings/8<sup>th</sup> Board).

The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s. (2012,6,22re-election)
Chairman	Shiang-Chang Lee	6	0	85.71%	Re-elected
Independent Managing Director	Kao-Jing Wang	7	0	100%	Re-elected
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xiong Jiang	7	0	100%	Re-elected
Independent Director	Zen-Fa Lu	7	0	100%	Re-elected
Director	Yu-Quan Lee	4	0	57.14%	Re-elected
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	7	0	100%	Re-elected
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	7	0	100%	Re-elected
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao	7	0	100%	Re-elected
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	7	0	100%	Re-elected

## Corporate Governance

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 of directors, avoidance on motions with conflict of interests. The names of directors, the content of the motion, the reasons of avoidance, and the voting participation status should be clearly stated:

Meeting	Name of Director	Proposal	Reasons of Recusal	Participated in Voting
23 <sup>th</sup> meeting/7 <sup>th</sup> Board	Jeff Lin	Credit Facility Granting	Stakeholder	No
24 <sup>th</sup> meeting/7 <sup>th</sup> Board	Yu-Quan Lee	Credit Facility Granting	Stakeholder	No
1 <sup>th</sup> meeting/8 <sup>th</sup> Board	Jeff Lin	Special Column Reports	Stakeholder	No
3 <sup>th</sup> meeting/8 <sup>th</sup> Board	Jin-Fu Liu	Credit Facility Granting	Stakeholder	No
3 <sup>th</sup> meeting/8 <sup>th</sup> Board	Jeff Lin Sue-Feng Tsao	Conversion of preferred stocks and Distribution of Dividends	Stakeholder	No

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

- 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. 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.
- The Bank establishes a Salary and Remuneration Committee under the Board of Directors and sets "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 regularly review the pertaining policy, system, standard and structure, and conduct the performance evaluation and of 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 2013(3 meetings/7<sup>th</sup> Board、4 meetings/8<sup>th</sup> Board).The status of attendance is as follows:

Title	Name	No. of actual attendance	% of actual attendance	p.s. (2012,6,22re- election)
Resident Supervisor	Pao-Shing Investment Co., Ltd. Representative: Jia-Yi Wang	7	100%	Re-elected
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	7	100%	Re-elected
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	7	100%	Re-elected

Other supplementary notes:

1. Composition and Responsibilities of Supervisors :

- 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

## Corporate Governance

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
May 2, 2012 24 <sup>th</sup> Meeting of 7 <sup>th</sup> Board of Directors	Security Maintenance Task Report	The Bank's ATMs installed at Hi-Life convenience chain stores are fault prone and the repair of faulty ATMs has not been done in a timely manner. Any similar incidents in the future shall be attended to at the earliest possible time.	These ATMs are of a new model. Although the failure rate this particular model of ATMs was unacceptably high, the service company has already resolved the existing problems. Any failure in the future will be logged and categorized for full review and improvement with records kept on file for inspection.
August 24, 2012 2 <sup>nd</sup> Meeting of 8 <sup>th</sup> Board of Directors	Risk control report of the first half year in 2012	Explain the occurrence of system errors in connection with the Bank's operational risks.	Upon review, the relevant transaction control programs have been amended and a new authentication mechanism has also been put in place with records kept on file for inspection.

- (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>

## Corporate Governance

- (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" and "Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related Parties", which stipulate the risk management policies between the Bank and its subsidiaries.</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. The Bank has appointed nine (9) directors among whom two (2) are independent directors. Unless otherwise specifically prescribed by laws or regulations or the Articles of Incorporation, the bank has put in place the 'Standards &amp; Job Scope of Independent 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 easily accessible and smooth.</p>	<p>No material discrepancy.</p>



## Corporate Governance

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: <a href="http://www.ubot.com.tw">http://www.ubot.com.tw</a>), 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. The execution status of other functional committee established by the bank</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. The Bank has established the supervisor system and hence is exempt from establishing an audit committee. "Rules Governing the Duties and Powers of Supervisors" were formulated and adopted in the general shareholders' meeting held on June 22, 2012.</p> <p>3. Additionally, in order to strengthen management mechanism, the Bank has set up committees such as "Asset Liability Management Committee", "Operation Automation Committee", "Investment and Credit Examination Committee", "Overdue Credit, Overdue Loan and Non-Performing Loan Handling Committee", "Trust Property Examination Committee" and "Human Resource Arbitration 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>

## Corporate Governance

Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
<p>6. Please describe discrepancies between the status of the Bank's corporate governance practices and the "Standard Corporate Governance Practices for Banks" and</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 is currently adopting the supervisor institution. Hence it could be exempted from setting an Audit Committee; The Bank will establish an audit committee upon expiry of the current supervisors' term of office pursuant to Jin-Kuan-Zheng Fa Order No. 1020004592 issued by the Financial Supervisory Commission on February 20, 2013.</p>		

## Corporate Governance

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, purchasing liability insurance for directors and supervisors, and donate to political parties, related parties and charitable foundations):</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 treated in accordance with the "Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related Parties" and relevant regulations government credit transactions.</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 (<a href="http://newmops.tse.com.tw">http://newmops.tse.com.tw</a>) 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. (Qualitative and quantitative information for assessing 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 &amp; Procedures for Handling Customer Disputes" to protect the rights of customers. Take the initiative to care and effectively remind customers to prevent the suffering of loss from 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> <p>(8) Donation to Political Parties, Related Parties and Charitable Foundations:</p> <p>I. The Bank established the "Union Bank Foundation" in 1998 with the aim of stimulating the continuation of local art and sponsored the various art awards including the "Union Bank Emerging Artist Award" and "Union Bank Art Impression Award" and art exhibitions as well as purchasing the winning artwork each year. In 2012, the Bank offered a total of NT\$ 2,928,945 in sponsorship money to these events.</p> <p>II. In support of promoting the local music and art events and the cultivation of cultural events, the Bank became a major sponsor of the "Kaohsiung City Philharmonic Cultural and Arts Foundation" from 2011 and assisting the Foundation to host regular, special, community and campus musical events and concerts. In 2012, the Bank offered a total of NT\$ 2,600,000 in sponsorship money to these events.</p> <p>III. To jointly promote the Love &amp; Life events, the Bank provided sponsorship to the "Kaohsiung Rapid Transit Corporation" for its various events including the "Kaohsiung Spring Art Season", "Make Friends With the World Through Art", "Let the Children Know the Beauty of Our Land", "Kaohsiung Rapid Transit Corporation Autumn Art Festival" and "Warmth in Winter". In 2012, the Bank offered a total of NT\$ 400,000 in sponsorship money to these events.</p> <p>IV. The Bank made a donation totaling NT\$ 52,440 to the "Yunlin County Primary School Emergency Relief Fund" through the "Happy Family Children's Drawing Competition".</p> <p>V. The Bank made a donation totaling NT\$124,300 to "World Vision Taiwan" through the Bank's 20<sup>th</sup> anniversary celebration events "Donation of \$10 by Union Bank for Every Happy Card You Wrote" and the "Junior Banker Wealth Management Camp".</p>	

## Corporate Governance

Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
<p>8. 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: 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. Members of Salary and Remuneration Committee of the Bank

Title	Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)								Serving as an independent director of other public companies	p.s. (Note 3)
		(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Independent Director	Zen-Fa Lu		√		√	√	√	√	√	√	√	√	0	qualified
Other	Lee, Hau-Sen			√	√	√	√	√	√	√	√	√	0	qualified
Other	Lee, Tzung-Hang	√			√	√	√	√	√	√	√	√	0	qualified

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 person under the circumstances specified in Article 30 of the R.O.C. Company Act.

## Corporate Governance

Note 3: For a member who is also a director, explain if he or she meets the criteria set out in Paragraph 5, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.

### B. Operations of Salary and Remuneration Committee of the Bank

a. There are three people in the Salary and Remuneration Committee of the Bank.

b. The term of commissioner: 2012, 7, 4 to 2015, 6, 21. Salary and Remuneration Committee of the Bank held 2 meetings in 2012 (1 meeting/1<sup>st</sup> Board Meeting、1 meeting/2<sup>nd</sup> Board Meeting). The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s. (2012, 7, 4 re-new)
Convenor	Zen-Fa Lu	2	0	100%	Re-elected
Commissioner	Lee, Hau-Sen	1	0	100%	New
Commissioner	Lee, Tzung-Hang	1	0	100%	Re-elected
Commissioner	Jeff Lin	1	0	100%	Dismissal

Other Necessary Notes:

- 1 Board of directors decline to adopt or require to modify recommendations of the remuneration committee: None.
- 2 Resolutions of the remuneration committee to which a member or members of the committee has or have expressed dissents or reservations which were recorded or made in writing: None.

## Corporate Governance

### (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. The Bank will continue to support farmers in dealing with slow sale of their agricultural products and host regular events such as the Union Bank's "Love to Share · Happy Gifts" event.</p> <p>2. According to the Bank's Articles of Incorporation, the Business Planning &amp; Administration Department centrally handles the Bank's management policy, while the Product Development &amp; Marketing Dept. 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 &amp; 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>

## Corporate Governance

<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>
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## Corporate Governance

<p>3. Preserving Public Welfare</p> <p>(1) Complying with relevant labor laws and regulations and respect the internationally recognized fundamental human rights. employment policy and provide equal employment opportunities, protecting the legal rights and interests of employees and employment policy and provide equal employment opportunities, 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) The Bank construct the periodical communication mechanism with the employee and also inform operational change which might cause major impact to them in reasonable manner.</p> <p>(4) 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>(5) Collaborating with suppliers to jointly fulfil corporate social responsibilities.</p> <p>(6) 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 instituted several mechanisms including the "Employee Complaint System", web-based "Employees Corner" and "Employee Comments and Suggestions Form" to provide employees with the opportunity to offer comments and suggestions at any time.</p> <p>4. 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>5. 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>6. The Bank has a long-term involvement in school or community development events through the various social charitable events including: In 2012, the Bank adopted the flower beds of Luchou Primary School and community parklands to fund the maintenance expense; hosted the children's drawing competition "You Draw Mommy &amp; Donation by Union Bank" and the children's wealth management camp. All registration proceeds went to charitable organisations.</p>	<p>No discrepancy.</p>
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## Corporate Governance

<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>		
<p>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.</p>		
<p>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.</p>		

### (7) Fulfillment of ethical Management and Adopted measures:

Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
<p>1 Formulate the Policy and Procedures for Ethical Management</p> <p>(1) The Bank clearly specifies ethical corporate management policies in our rules and external documents and the status of enforcement and implementation of such policies by the board of directors and management.</p> <p>(2) Description of the status of the establishment of the Bank’s own ethical corporate management best practice principle comprehensive programs to forestall unethical conduct and the status of implementation of the related operational procedures, guidelines, and training programs.</p> <p>(3) When setting the ethical corporate management best practice principle comprehensive programs, describe the status of implementation of the measures to address operating activities highly susceptible unethical conduct including measures to prevent the offering and acceptance of bribes and offering illegal political</p>	<p>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.</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>

## Corporate Governance

<p>donations.</p> <p>2 Implementation of Ethical Management</p> <p>(1) The Bank shall refrain from dealing with persons who have records of unethical conduct and specifically set out the ethical management clause in business contract.</p> <p>(2) Operations of the Bank's corporate ethical management unit and supervision by the board of directors.</p> <p>(3) Stipulation of the policy to prevent conflict of interest and to offer appropriate channels for providing a statement in regard to the situation.</p> <p>(4) Implementation of effective accounting policies and internal controls system established by the Bank to carry out ethical management and the status of internal audits conducted by internal auditors.</p>		
<p>3 Implementation of the system/channel for receiving reports on unethical conduct and the disciplinary and complaint mechanism for breach of ethical management regulations established by the Bank.</p>		
<p>4 Enhance Information Disclosure</p> <p>(1) The Bank sets up a website to disclose related information on ethical management.</p> <p>(2) Other methods adopted by the Bank for disclosure of information (such as construction of an English website or appointing a designated person to handle the collection of company information and disclosure of such information on the company's website).</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>		
<p>6 Other important information beneficial in understanding the status of implementation of the Bank's ethical management practices (such as the Bank's declaration to its business partners of its dedication to promote ethical management, the ethical management policy and related training programs and the review and revision to the ethical management principles): None.</p>		

- (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 21, 2013**

To Financial Supervisory Commission:

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2012 to December 31, 2012, 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-Pao Kang



Compliance Officer of the Bank  
Yan-Tsung Kao



## Corporate Governance

### Attachment Internal Control Deficiencies and Improvement Plan

Deficiency	Improvement Plan	Estimated Completion Date
A former staff of Yuanlin Branch violated the Bank's regulations by keeping client's deposit book under his custody and making deposit/withdrawal transactions on behalf of the client. The conduct was inappropriate.	The Bank issued Union HR (2012) Letter No. 0132 on August 10, 2012 to reinforce the importance of compliance with the "Employee Service Agreement" by all employees which stipulates that an employee is strictly prohibited from engaging in any monetary dealing with clients or fellow employees or keep a client's chop, deposit book or withdrawal slip under his or her care. Any employee found to be in violation of this rule shall be reported to the Personnel Review Panel. The relevant supervisors are held jointly responsible and are subject to disciplinary actions in the event of a breach. Such measures shall be sufficient to prevent employees from keeping the deposit books or making deposit/withdrawal transactions on behalf of customers.	Completed on August 10, 2012

### (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.	None	None
(3) Misconduct occurred and resulted in the Financial Supervisory Commission's imposing strict corrective measures.	None	None

## Corporate Governance

Disclosed Matter	Major Deficiency	Status of Improvement
(4) Punishment imposed by the Financial Supervisory Commission in accordance with Paragraph 1, Article 61-1 of the Banking Act of ROC	A former employee of the Bank's Yuanlin Branch breached the ethical management best practices by keeping client's deposit book under his care and making deposit/withdrawal transactions on behalf of the client. The employee was subject to disciplinary action pursuant to Paragraph 1, Article 61-1 of the Banking Act.	The Bank issued a letter no. Union HR (2012). 0132 on August 10, 2012 to reinforce the importance of compliance with the "Employee Service Agreement" (all employees) which stipulates that are strictly prohibited from engaging in any monetary dealing with clients or fellow employees or keeping a client's chop, deposit book or withdrawal slip under his or her custody. Any employee found to be in violation of this rule shall be reported to the Personnel Review Panel. The relevant supervisors are held jointly responsible and are subject to disciplinary actions in the event of a breach. Such measures shall be sufficient to prevent employees from keeping deposit books or making deposit/withdrawal transactions on behalf of customers.
(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.	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 2012 and their Implementation Status

- a. Annual Accounts for 2011: Resolution Approved.
- b. Appropriation of 2011 Earnings: Resolution Approved.
- c. The proposal to increase capital by capitalization of earnings and issuance of new shares: resolved to adopt the proposal.
- d. The proposal to elect the 8<sup>th</sup> Board of Directors (including independent directors) and Supervisors: The Bank has elected 9 directors and 3 supervisors in accordance with the provisions of the Articles of Incorporation.
- e. The proposal to lift the non-competition clause binding on the Bank's 8<sup>th</sup> Board of Directors: resolved to adopt.
- f. Formulate the Bank's "Rules for the Exercising of Powers by Supervisors": resolved to adopt the proposal.
- g. Revision of the Bank's "Articles of Incorporation" and "Handling Procedures for

Acquisition or Disposal of Fixed Assets”: resolved to adopt the proposal.

B. Major Resolutions of Board Meetings During 2012 up to the Date of Printing of the Annual Report:

- a. The 7<sup>th</sup> Board of Directors resolved to adopt the 2012 business budget in its 22<sup>nd</sup> board meeting held on January 11, 2012
- b. The 7<sup>th</sup> Board of Directors resolved to approve the revisions to the “Rules of Procedures for Shareholders’ Meetings”, Articles of Incorporation, “Procedures Governing Board of Directors’ Meetings” and “Segregation of Duties of Shareholders’ Meeting, Board of Directors and Managerial Officers”, the formulation of the “Rules for the Exercising of Powers by Supervisors” and the “Business Report and Financial Statements for 2011”, “Earnings Appropriation Proposal for 2011” and “capital increase by capitalization of earnings and issuance of ordinary shares aggregating 77,939,983 shares” in its 23<sup>rd</sup> meeting held on March 7, 2012.
- c. The 7<sup>th</sup> Board of Directors resolved to approve the “Independence of CPAs and CPA Fees” proposal in its 23<sup>rd</sup> meeting held on May 2, 2012.
- d. The 8<sup>th</sup> Board of Directors resolved to appoint Shiang-Chang Lee, Zhen-Xong Jiang and Kao-Jing Wang as executive directors in its 1<sup>st</sup> special board of directors meeting held on June 22, 2012.
- e. The 8<sup>th</sup> Board of Directors resolved to approve the “proposal to establish a new branch-JiSian Branch”, “the base date of July 28, 2012 for distribution of cash dividends for Type A preferred stock” and “appointment of remuneration committee members, Zen-Fa Lu, Zong-Han Lee and Hao-Sen Lee” in its 1<sup>st</sup> meeting held on July 4, 2012.
- f. The 8<sup>th</sup> Board of Directors resolved to approve the “Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related Parties”, “the based date of September 14, 2012 for distribution of dividends through capitalization of stock dividends and issuance of new shares” and the “Half Yearly Report of Independent Accountants and Consolidated Financial Statements for the period ending June 30, 2012” in its 2<sup>nd</sup> meeting held on August 22, 2012.
- g. The 8<sup>th</sup> Board of Directors approved the proposal for “Replacement of CPA”, revisions to the “Procedures Governing Board of Directors’ Meetings” and the “Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related Parties” and the “base date of December 31, 2012 for the conversion of the Bank’s Type A preferred stocks subscribed through private-placement to private-placement common shares” in its 3<sup>rd</sup> meeting held on December 19, 2012.
- h. The 8<sup>th</sup> Board of Directors approved the management strategies and the various operational concepts for 2013 in its 4<sup>th</sup> meeting held on January 30, 2013.
- i. The 8<sup>th</sup> Board of Directors approved the “Business Report and Financial Statements for 2012”, “Earnings Appropriation Proposal for 2012” and “the proposal to increase capital by capitalization of earnings and employee bonus (provision for NT\$ 1,858,245,080) in its 5<sup>th</sup> meeting held on March 20, 2013.
- j. The 8<sup>th</sup> Board of Directors approved the “Independence of CPAs and CPA Fees” proposal in its 6<sup>th</sup> meeting held on May 8, 2013.

(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	Vincent Cheng	October ~ December 2012	Job rotation
	Terence Huang	Ray Chang	January ~ September 2012	

### CPA Professional Fees Bracket

In NT\$ thousand

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

(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	Vincent Cheng Terence Huang	6,970	—	—	—	2,250	2,250	2012	Others represents mainly fees occurred for IFRSs and internal 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 change of CPA:** Due to the job rotation in Account and Office, Mr. Ray Chang, C.P.A has been replaced by Mr. Vincent Cheng, C.P.A since Oct. 2012.

**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.

## Corporate Governance

### 7. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity in accordance with the provisions of Article 11 of the Regulations Governing the Holding in Excess of a Set Ratio of Voting Shares Already Issued by the Same Bank by the Same Related Parties:

#### (1) Changes in shareholding

Title	Name	2012		April 16, 2013	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	40,677	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.	2,739,118	0	0	0
Director	Chen-Chern Investment Co., Ltd.	19,282,786	0	0	0
Director	Yu-Pang Co., Ltd.	1,144,239	0	0	0
Director	Chi-Shun Investment Co., Ltd.	2,804,610	0	0	0
Managing Director	Chen-Chern Investment Co., Ltd.	19,282,786	0	0	0
Director	Yu-Quan Lee	106,038	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	2,741,038	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	2,741,038	0	0	0
Supervisor	Pai-Sheng Investment Co., Ltd.	4,007,122	0	0	0
President	Jeff Lin	168,585	0	0	0
SEVP	Cheng-Yu Liu	9,906	0	0	0
SEVP	Herman Tu	5,341	0	0	0
SEVP	Yin-Bor Chan	0	0	0	0
Chief Auditor	Kuo-Pao Kang	0	0	0	0
EVP	Patrick Jean	2,619	0	0	0
EVP	Chi-Pin Chen	15	0	0	0
EVP	Cheng-Juh Hsieh	8,008	0	0	0
Manager	Michael Lin	0	0	0	0
Manager	Wu-Lien Peng	12,536	0	0	0
Manager	Lin-Sheng Yu	151	0	0	0
Manager	Kuang-Han Liu	0	0	0	0
Manager	Chan-Kwei Chen	1,609	0	0	0
Manager	Jeng-Ping Liu	3,835	0	0	0
Manager	Wendy Chi	1,384	0	0	0
Manager	Ching-Shou Liu	170	0	0	0
Manager	Chien-Hui Li	0	0	0	0
Manager	Jen-Chung Cheng	0	0	0	0



## Corporate Governance

Title	Name	2012		April 16, 2013	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Patty Chen	0	0	0	0
Manager	Su-Yean Lo	0	0	0	0
Manager	Ru-Ji Cheng	18	0	0	0
Manager	Han-Chou Chiu	19	0	0	0
Manager	Hann-Tsau Tsai	6,897	0	0	0
Manager	Chang-Yung Chen	4,112	0	0	0
Manager	Wen-Chien Chien	920	0	0	0
Manager	Joy Tang	1,388	0	0	0
Manager	Luke Yang	1,875	0	0	0
Manager	Buo-Cheng Lee	2,057	0	0	0
Manager	Li-Jen Wong	27	0	0	0
Manager	Min-Hui Wang	53	0	0	0
Manager	Kuen-Yuan Tsai	44 (34,000)	0	0	0
Manager	Jacky Liao	0	0	0	0
Manager	Rong-Hui Huang	0	0	0	0
Manager	Ting-Ting Wu	344	0	0	0
Manager	Jane Lu	1,036 (6,000)	0	0	0
Manager	Kuo-Shian Shia	0	0	0	0
Manager	Hedy Wei	15	0	0	0
Manager	Yu-Hsiu Hsu	375	0	0	0
Manager	Peter Chien	1,586	0	0	0
Manager	Shih-Shien Chene	0	0	0	0
Manager	Russell YC Chang	3,390	0	0	0
Manager	Chang-Chen Lin	0	0	0	0
Manager	Mei-Lan Lin	20	0	0	0
Manager	Yao-Tsung Kao	565	0	0	0
Manager	Chu-Shih Wei	0	0	0	0
Manager	Sophie Hsu	0	0	0	0
Manager	Michael Lee	19	0	0	0
Manager	Ching-Chung Lin	3,392	0	0	0
Manager	Denfer Hung	0	0	0	0
Manager	Chien-Lung Chen	2,661	0	0	0
Manager	Tawei Shih	0	0	0	0
Manager	Shu-Feng Hsueh	242	0	0	0
Manager	Lawrence Chen	601	0	0	0
Manager	Yeong-Jin Hwang	0	0	0	0
Manager	Meng-Hsia Wu	1,394	0	0	0
Manager	Hui-Chin Yang	0	0	0	0
Manager	Ching-Wen Chen	0	0	0	0
Manager	Chih-Chung Chang	679	0	0	0
Manager	Ching-Shan Chang	0	0	0	0
Manager	Lanny Liaw	0	0	0	0
Manager	Yen-Jou Liu	45	0	0	0

## Corporate Governance

Title	Name	2012		April 16, 2013	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Pauline Sheng	151	0	0	0
Manager	Jimmy Chou	24	0	0	0
Manager	Shen-Yung Peng	687	0	0	0
Manager	Mary Huang	0	0	0	0
Manager	Terrence Lin	0	0	0	0
Manager	Teh-Chin Tsai	3,556	0	0	0
Manager	Huang-Wen Huang	324	0	0	0
Manager	Hsiu-Yun Su	0	0	0	0
Manager	Shis-Wen Lu	0	0	0	0
Manager	Hung-Min Chen	771	0	0	0
Manager	James Tsai	998	0	0	0
Manager	Ping-Ching Chiang	4,248	0	0	0
Manager	Hui-Fen Chao	2,224	0	0	0
Manager	Simon Wang	993	0	0	0
Manager	Shih-Yuan Liaw	0	0	0	0
Manager	Chiung-Yu O	321	0	0	0
Manager	Chien-Chung Wu	574	0	0	0
Manager	Wu-Yuan Chen	1,149	0	0	0
Manager	Shan-Chih Yen	1,427	0	0	0
Manager	Ta-Yu Chin	907	0	0	0
Manager	Chen-Yueh Wu	0	0	0	0
Manager	Candy Lin	726	0	0	0
Manager	Roger Chang	0	0	0	0
Manager	Hsien-Ming Yen	0	0	0	0
Manager	Feng-Li Lin	968	0	0	0
Manager	Miao-Hui Yeh	2,475	0	0	0
Manager	CM Huang	9,673	0	0	0
Manager	I-Wen Ho	1,209	0	0	0
Manager	Yuen-Song Lin	0	0	0	0
Manager	Jeffery Tsai	600	0	0	0
Manager	Ju-Ling Kuo	4,049	0	63,000	0
Manager	Wen-Hui Lin	1,054	0	0	0
Manager	Miranda Tsai	90	0	0	0
Manager	Kuen-Cheng Chou	16	0	0	0
Manager	Jyh-Chiang Huang	1,450	0	0	0
Manager	Jenny Cheng	480	0	0	0
Manager	Ping-Hui Lin	0	0	0	0
Manager	Shiu-Lan Hsieh	6,480 (2,000)	0	0	0
Manager	Tereasa Lin	11	0	0	0
Manager	Amy Chung	383	0	0	0
Manager	Ru-Jwu Tsai	75	0	0	0
Manager	Yao-Hsien Lee	1,827	0	0	0
Manager	Chao-Chuan Chuang	0	0	0	0

## Corporate Governance

Title	Name	2012		April 16, 2013	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
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	1,019	0	0	0
Manager	Shiu-Ju Huang	15	0	0	0
Manager	Chin-Chung Kuan	0	0	0	0
Manager	Guo Jim	0	0	0	0
Manager	Yanger Yang	0	0	0	0
Manager	Tarsicio Tong	1,629	0	0	0
Major Shareholder	Tsong-Li Investment Co., Ltd.	6,003,416	0	0	0
Major Shareholder	Tien-Sheng Investment Co., Ltd.	3,902,167	0	0	0
Major Shareholder	Chien-Yuan Investment Co., Ltd.	3,632,750	0	0	0
Major Shareholder	Wei-Chih Investment Co., Ltd.	3,362,534	0	0	0
Major Shareholder	Chu-Pao Investment Co., Ltd.	3,272,464	0	0	0
Major Shareholder	Kun-Che Investment Co., Ltd.	3,013,629	0	0	0
Major Shareholder	Jen-Pang Construction Co., Ltd.	2,903,357	0	0	0
Major Shareholder	Hung-Hsiang Investment Co., Ltd.	2,712,534	0	0	0
Major Shareholder	Hong-Gow Construction Co., Ltd.	2,536,911	0	0	0
Major Shareholder	Bai-Ing Investment Co., Ltd.	2,499,193	0	0	0
Major Shareholder	Chen-Sheng Investment Co., Ltd.	2,351,683	0	0	0
Major Shareholder	Lin, Chang Su-O	2,337,996	0	0	0
Major Shareholder	Lin Rong San Foundation of Culture and Social Welfare	2,080,735	0	0	0
Major Shareholder	Hong-Pem Construction Co., Ltd.	1,784,804	0	0	0
Major Shareholder	Hong-Pang Construction Co., Ltd.	1,510,365	0	0	0
Major Shareholder	Union Recreation Enterprise Co., Ltd.	1,325,056	0	0	0
Major Shareholder	Yu-Pang Co., Ltd.	1,144,239	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 16, 2013 Unit: Shares ; %

Shareholder <sup>(Note 1)</sup>	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
Tsong Li Investment Co., Ltd. Representative: Hong-Bung Lin	156,088,834 0	7.70% 0	- -	- -	- -	- -		
Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	104,185,196 227,076	5.14% 0.01%	- 1,175,078	- 0.05%	- -	- -	Chu-Pao Investment Co., Ltd. Pai-Sheng Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Tien-Sheng Investment Co., Ltd. Representative: Sue-Feng Tsao	101,456,361 2,770	5.00% 0	-	-	-	-		
Chen-Chern Investment Co., Ltd. Representative: Chung- Yu Lee	97,955,381 89,663	4.83% 0						
Chien-Yuan Investment Co., Ltd. Representative: C.C. Chang	94,451,513 438,392	4.66% 0.02%	- -	- -	- -	- -		
Wei-Chih Investment Co., Ltd. Representative: S.S. Yeh	87,425,892 0	4.31% 0	-	-	-	-		

## Corporate Governance

Shareholder <sup>(Note 1)</sup>	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
Chu-Pao Investment Co., Ltd. Representative: Si-Yong Lin	85,084,070 227,076	4.19% 0.01%	- 1,175,078	- 0.05%	-	-	Chu-Pao Investment Co., Ltd. Pai-Sheng Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Kun-Che Investment Co., Ltd. Representative: Y. C. Huang	78,354,355 194,456	3.86% 0	-	-	-	-	-	-
Jen-Pang Construction Co., Ltd. Representative: Lin Chang Su-O	75,487,318 60,787,907	3.72% 2.99%	-	-	-	-	-	-
Chi-Shun Investment Co., Ltd. Representative: Jyh-Dong Chen	72,919,871 250,709	3.59% 0.01%	-	-	-	-	-	-

## 9. Ownership of Investee Companies

December 31, 2012 Unit: Shares ; %

Investee Companies <sup>Note</sup>	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	%
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%	2,626,656	8.76%	13,126,656	43.76%
Union Insurance Broker Company	500,000	100.00%	0	0.00%	500,000	100.00%

## Corporate Governance

Investee Companies <sup>Note</sup>	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	%
Union Real-Estate Management Corp.	2,000,000	40.00%	1,450,000	29.00%	3,450,000	69.00%
Taiwan Asset Management Corp.	10,000,000	0.57%	0	0.00%	10,000,000	0.57%
Li Yu Venture Corporation	854,895	4.76%	0	0.00%	854,895	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	593,810	5.00%	0	0.00%	593,810	5.00%
Taiwan Depository & Clearing Corp.	798,874	0.25%	0	0.00%	798,874	0.25%
Taiwan Futures Exchange Co., Ltd.	5,676,207	2.04%	0	0.00%	5,676,207	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	0.76%	0	0.00%	277,777	0.76%
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. 1991	10	1,200,000,000	12,000,000,000	1,200,000,000	12,000,000,000	The promoters of a company subscribed shares for 9,600,000,000 Publicly soliciting subscription to shares for 2,400,000,000	—
Jul 1995	10	1,230,000,000	12,300,000,000	1,230,000,000	12,300,000,000	Capital Increase Via Return Earning	
Jul 1997	10	1,281,660,000	12,816,600,000	1,281,660,000	12,816,600,000	Capital Increase Via Return Earning	
Jul 1998	10	1,361,516,990	13,615,169,900	1,361,516,990	13,615,169,900	Capital Increase Via Return Earning	
Jul 1999	10	1,418,700,704	14,187,007,040	1,418,700,704	14,187,007,040	Capital Increase Via Return Earning	
Jul 2000	10	1,488,926,389	14,889,263,890	1,488,926,389	14,889,263,890	Capital Increase Via Return Earning	
Mar 2005	10	2,488,926,389	24,889,263,890	1,788,926,389	17,889,263,890	Cash Capital Increase	
Jun 2005	10	2,488,926,389	24,889,263,890	1,825,394,074	18,253,940,740	C.B. Conversion	
Dec. 2006	10	2,488,926,389	24,889,263,890	1,827,797,807	18,277,978,070	C.B. Conversion	
Mar 2007	10	2,488,926,389	24,889,263,890	1,828,066,183	18,280,661,830	C.B. Conversion	
Sep 2007	10	3,000,000,000	30,000,000,000	2,228,066,183	22,280,661,830	Preferred Stocks of Private Placement	
Sep 2007	10	3,000,000,000	30,000,000,000	2,318,824,429	23,188,244,290	C.B. Conversion	
May 2010	10	3,000,000,000	30,000,000,000	1,753,661,989	17,536,619,890	Capital reduction offset loss	
Sep 2010	10	3,000,000,000	30,000,000,000	1,948,499,589	19,484,995,890	Capital Increase Via Amalgamation	
Sep 2012	10	3,000,000,000	30,000,000,000	2,026,439,572	20,264,395,720	Capital Increase Via Return Earning	

Type of Shares	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	1,711,830,420	973,560,428	3,000,000,000	Listed shares
Common stocks of private placement	294,189,808			Private placement as shares are non-publicly traded
Preferred stocks of private placement	20,419,344			Private placement as shares are non-publicly traded

## Fund Raising Status

### (2) Shareholder Composition

April 16, 2013

Shareholder Composition Amount	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	2	3	81	27,772	101	27,959
No. of Shares Held	56	650,000	1,586,474,872	378,135,245	61,179,399	2,026,439,572
% of Shareholding	0	0.03%	78.29	18.66	3.02	100%

### (3) Distribution of Shareholding (Preferred Stock Included)

Par value per share NT\$10; April 16, 2013

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	13,538	3,810,250	0.19%
1,000 ~ 5,000	6,639	16,815,208	0.83%
5,001 ~ 10,000	3,971	34,600,352	1.71%
10,001 ~ 15,000	1,210	14,420,686	0.71%
15,001 ~ 20,000	634	11,540,449	0.57%
20,001 ~ 30,000	526	13,476,522	0.67%
30,001 ~ 50,000	489	19,953,628	0.98%
50,001 ~ 100,000	437	32,928,950	1.62%
100,001 ~ 200,000	244	33,826,789	1.67%
200,001 ~ 400,000	130	35,929,031	1.77%
400,001 ~ 600,000	30	14,546,313	0.72%
600,001 ~ 800,000	18	12,400,413	0.61%
800,001 ~ 1,000,000	16	14,511,033	0.72%
Over 1,000,001	77	1,767,679,948	87.23%
Total	27,959	2,026,439,572	100.00%

### Preferred Stocks

Par Value per share: NT\$10; April 16, 2013;

Class of Shareholding	No. of shareholders	No. of shares Held	% of shareholding
20,000,000~100,000,000	1	20,419,344	100.00%
Total	1	20,419,344	100.00%

### (4) Major Shareholders

April 16, 2013

Major Shareholders	Shares	No. of shares Held (Preferred Stocks incl.)	% of shareholding
Tsong-Li Investment Co., Ltd.		156,088,834	7.70%
Pai-Sheng Investment Co., Ltd.		104,185,196	5.14%
Tien-Sheng Investment Co., Ltd.		101,456,361	5.00%
Chen-Chern Investment Co., Ltd.		97,955,381	4.83%
Chien-Yuan Investment Co., Ltd.		94,451,513	4.66%
Wei-Chih Investment Co., Ltd.		87,425,892	4.31%
Chu-Pao Investment Co., Ltd.		85,084,070	4.19%
Kun-Che Investment Co., Ltd.		78,354,355	3.86%
Jen-Pang Construction Co., Ltd.		75,487,318	3.72%
Chi-Shun Investment Co., Ltd.		72,919,871	3.59%
Pao-Shing Investment Co., Ltd.		71,267,008	3.51%



## Fund Raising Status

Union Enterprise Construction Co., Ltd.	71,217,069	3.51%
Hung-Hsiang Investment Co., Ltd.	70,525,891	3.48%
Hong-Gow Construction Co., Ltd.	65,959,706	3.25%
Bai-Ing Investment Co., Ltd.	64,979,026	3.20%
Chen-Sheng Investment Co., Ltd.	61,143,782	3.01%
Lin, Chang Su-O	60,787,907	2.99%
Lin Rong San Foundation of Culture and Social Welfare	54,099,134	2.66%
Hong-Pern Construction Co., Ltd.	46,404,852	2.28%
Hong-Pang Construction Co., Ltd.	39,269,500	1.93%
Union Recreation Enterprise Co., Ltd.	34,451,472	1.70%
Yu-Pang Co., Ltd.	29,750,223	1.46%

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

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

Item		Year			
		2011	2012	Mar 31, 2013	
Market price per share	Highest	12.50	11.15	11.95	
	Lowest	9.06	8.90	10.55	
	Average	10.58	10.24	11.37	
Net Worth per share	Before Distribution	11.51	11.90	12.82 <sup>Note5</sup>	
	After Distribution	10.55	Note4	-	
Earning per share	Weighted Average Shares	1,723,931	1,724,702	2,006,020	
	Earning Per Share(NT\$)	0.95	1.41	0.34 <sup>Note5</sup>	
Dividend per share	Cash Dividends		-	Note4	-
	Stock Dividends	Dividends from retained earning	0.4	Note4	-
		Dividends from capital reserve	-	-	-
	Accumulated Dividends		-	-	-
Return on investments	Price/Earning Ratio <sup>Note1</sup>		11.02	7.26	8.36
	Price/Dividend Ratio <sup>Note2</sup>		-	-	-
	Cash dividends yield rate <sup>Note3</sup>		-	-	-

Notes:

1. P/E ratio= Average closing share price for the current fiscal year/ earnings per share. P/E ratio in the first quarter of 2013 is annualized
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. The distribution of 2012 earnings will be confirmed when it is passed by a resolution at the 2013 Shareholders' meeting.
5. Net worth per share and earnings per share, expect for financials of 2013 1Q, have been audited by independent auditors.

## Fund Raising Status

### (6) Dividend Policy and Implementation

#### A. Dividend policy set out in the Bank's Articles of Incorporation:

In consideration of the Bank's funding requirements and long-term financial planning, in principle, the Bank may distribute stock dividends if, after the distribution of the dividends, the ratio of the Bank's core capital as a percentage of risk-based assets is less than the statutorily required ratio plus one percent point. However, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid-in capital unless and until the accumulated legal reserve equals the Bank's paid-in capital.

The Bank's Articles of Incorporation provided that earnings, if any, shall first be used to make tax payments and offset against prior year losses and 30% of the remaining, if any, shall be set aside as a legal reserve. The Bank may, according to regulatory requirements and business needs, set aside or reverse a special reserve and distribute the remaining balance plus unappropriated earnings from the previous year in the form of preferred stock dividends and then common stock dividends. The remaining balance, if any, may be distributed in the following manner after a certain percentage is retained:

- a. At least 10% in employee bonus (excluding accumulated unappropriated earnings from prior years).
- b. 0.5% for remuneration to directors and supervisors (excluding accumulated unappropriated earnings from prior years).
- c. Bonuses to shareholders shall be proposed by the Board of Directors for a resolution in a general shareholders' meeting.

#### B. Proposal for dividend distribution for the current year:

Net income after tax for year 2012 amounted to NT\$ 2,613,580,691. After adding special reserve adjustments of NT\$ 201,754,198 and opening unappropriated earnings of NT\$ 8,042,951, the total earnings available for distribution amounted to NT\$ 2,823,377,840. The 8<sup>th</sup> Board of Directors resolved in its 5<sup>th</sup> meeting to appropriate the earnings in accordance with Articles 4-1, 6 & 41 of the Bank's Articles of Incorporation as follows:

- a. Distribution of preferred stock dividends: Distribute dividends for the 2012 fiscal year amounting to NT\$ 181,041,571 in the form of cash dividends.
- b. Distribution of common stock and preferred stock bonus (\$0.917 per share), amounting to NT\$ 1,858,245,087.

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

Item	Year	Year 2013 (Forecast)
Beginning Paid-In Capital		20,264,396,000
Stock and Cash Dividend in this Year	Cash Dividend per share	Preferred Stocks 0.6 dollars /per share
	Capitalization of Retained Earnings Stock Dividend per share	0.0917 share
	Capitalization of Capital Reserves Stock Dividend per share	None
Operation Result Changes	Operating Profit	Not applicable (Note)
	Ratio of Increase (Decrease) in Operating Profit Compared to the same period last year	

## Fund Raising Status

Item	Year	Year2013 (Forecast)
	Net Profit after Tax	
	Ratio of Increase (Decrease) in After Tax Net Profit Compared to the same period last year	
	Earnings per Share (NT\$)	
	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 (NT\$)
		Pro forma annual average return on investment
	If Capitalization of Capital Reserve in not conducted.	Pro forma earnings per share (NT\$)
		Pro forma annual average return on investment
	If Capitalization of Capital Reserve is not conducted and Capitalization of Surplus is all changed to the Issuance of Cash Dividend	Pro forma earnings per share (NT\$)
		Pro forma annual average return on investment

Note: The Bank has not published the financial forecasts for the 2013 fiscal year. According to Tai-Tsai-Zheng Tze (1) Letter No. 00371 issued by the Ministry of Finance on February 1, 2010, companies that have not published their financial forecasts are not required 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: Refer to the Bank's Dividend Policy.
- B. If the estimated bonus to employees and remuneration to directors and supervisors, differ from the actual amounts subsequently resolved by the stockholders meeting the differences are to be recorded the profit(loss) of the year as result of a change in accounting estimate.
- C. The proposals to distribute employee bonuses as approved by the Board of Directors are as follows:
  - a. Employee bonuses, bonus shares, and remuneration to directors and supervisors: Remuneration to directors and supervisors amounts to NT\$ 2,224,264, while employee bonuses total NT\$44,485,278 for fiscal year 2012, among which remuneration to directors and supervisors is to be distributed in cash while bonuses to employees are to be distributed in bonus shares.
  - b. The amount of employee share bonus and the amount of employee share bonus as a percentage of the total amount of after-tax net income and employee bonuses: employee bonuses to be distributed are 4,448,527 shares (estimate only), which constitutes 2.39394% of increase in capital by capitalization of earnings.
  - c. Computed earnings per share after taking into account employee bonuses and remuneration to directors and supervisors: Such earnings per share for fiscal year 2012 is NT\$ 1.41.
- D. If there is any discrepancy between the actual distribution of employee bonuses and director/supervisors' remuneration for the previous fiscal year, and the recognized employee bonuses and director/supervisors' remuneration: Not applicable.

## Fund Raising Status

(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.	Jin-Kuan-Yin-(2)-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.
Approved by Central Competent Authority	0940031436 Nov. 14, 2005	09800384990 Sep. 4, 2009	10000158270 May 12, 2011	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
Performance	Normal	Normal	Normal	Normal
Redemption or Early Redemption	Nil	Nil	Nil	Nil

## 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
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 qualified core capital 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. twA- Dec. 27, 2012	Taiwan Ratings Corp. twA- Dec. 27, 2012	Taiwan Ratings Corp. twA- Dec. 27, 2012

### 3. Issuance of Preferred Stock

Amount in NTS

Date of Issuance		Sept. 26, 2007
Item	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 stock shareholders have no voting right and suffrage in the common shareholders' meeting. However, they are entitled to be elected as directors and supervisors and the right to vote in preferred stock shareholders' meeting.
	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 are insufficient 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.

## Fund Raising Status

Date of Issuance		Sept. 26, 2007	
Item		Grade-A preferred stock	
In circulation preferred stock	Collected or converted amount	3,795,806,560	
	Uncollected or unconverted balance	204,193,440	
	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- 2012	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 preferred stocks that are converted into common shares.	
Effect on self capital to risk-based asset ratio caused by redemption of preferred stocks		-	

#### 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

## **Fund Raising Status**

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 72-74 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 94-101 for the Bank's financial information and changes in the capital adequacy ratio for years 2008 through 2012.

# Operational Highlights

## 1. Business Description

### (1) Main Businesses

- A. Primary Business Activities of the Respective Business Units
- To accept all types of deposits.
  - To extend corporate loans, discount bills and notes, issue domestic letters of credit and conduct accounts receivable factoring.
  - To handle exports, imports, foreign remittances, foreign currency loans and guarantees.
  - To extend mortgage, auto loans, personal loans and other consumer credits, and provide credit card services.
  - Wealth management, trust, custodian business, safe-deposit box rental and certification services for marketable securities.
  - To trade marketable securities and futures on behalf of customers.
  - To provide peripheral financial services by acting as collecting and paying agent for public facilities fees, taxes and remittances.
  - To conduct other relevant businesses authorized by the competent authorities.

### B. Operational Highlight

#### a. Deposits

Amount: NT\$ Million

Type	December 31, 2012		December 31, 2011		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Current Deposit	142,216	41.6%	130,426	39.6%	11,790	9.0%
Time Deposit	199,881	58.4%	199,220	60.4%	661	0.3%
Total	342,097	100%	329,646	100%	12,451	3.8%

#### b. Loans

Amount: NT\$ Million

Type	December 31, 2012		December 31, 2011		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Consumer Banking	117,967	57.9%	111,865	58.3%	6,102	5.5%
Corporate Banking	85,682	42.1%	80,022	41.7%	5,660	7.1%
Total	203,649	100%	191,887	100%	11,762	6.1%

#### c. Foreign Exchange

Amount: US\$ Million

Type	December 31, 2012		December 31, 2011		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (decrease)	Growth Rate%
Exports	91	2.3%	129	3.3%	(38)	-29.5%
Imports	197	5.1%	187	4.8%	10	5.3%
Foreign Remittances	3,605	92.6%	3,579	91.8%	26	0.7%
Total	3,893	100%	3,895	100%	(2)	-0.1%



## Operational Highlights

### d. Trust & Wealth Management

Amount: NT\$ Million

Type		December 31, 2011	December 31, 2011	Comparison	
		Amount	Amount	Increase (decrease)	Growth Rate%
Trust	Non-discretionary Money Trust Invested in Securities	35,139	33,131	2,008	6.1%
	Fund Custody Business	7,955	7,330	625	8.5%
	New Trusts	14,035	10,768	3,267	30.3%
	Subtotal	57,129	51,229	5,900	11.5%
Ancillary Service	Attestation For Issuance of Securities	23,647	14,785	8,862	59.9%
Total		80,776	66,014	14,762	22.4%

### e. Credit Card Business

Unit: NT\$ Million ; Card

Item	December 31, 2012	December 31, 2011	Comparison	
	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate%
Cards in Circulation	1,875,580	2,068,118	(192,538)	-9.3%
Valid cards	791,746	981,561	(189,815)	-19.3%
Ratio of valid cards	42.21%	47.46%	(5.25%)	-11.1%
Credit Amount	44,540	48,592	(4,412)	-9.0%
Cash Advance Amount	1,324	1,504	(180)	-11.9%
Accounts Receivables	11,895	13,551	(1,656)	-12.2%
Revolving Credit Balance	6,041	6,758	(717)	-10.6%
Sales Amount	36,098	64,654	(28,556)	-44.2%

### f. Revenue and Percentage by Business

Item	% of Total Revenue 2012	% of Total Revenue 2011	Changes (%)
Corporate Banking	20.77%	18.11%	2.66%
Consumer Banking	44.75%	41.51%	3.24%
Trust & Wealth Management	7.07%	5.55%	1.53%
Investment Banking	23.55%	25.54%	-1.99%
Other	3.86%	9.29%	-5.43%
Total	100%	100%	-

## (2) Business Plan for 2012

### A. Deposit Business

Design various deposit packages to solicit new deposit customers with good savings and stable source of income; Continue to enhance the added functions of deposits such as Travel Debit and bill payment services to enhance the bank-customer relationship.

## Operational Highlights

### B. Loan Business

#### a. Corporate Banking

Actively expand the corporate loan market to ensure business profitability and risk stability, giving priority consideration to self-redeeming loans and loans for businesses with mode in Taiwan. Enhance credit security by utilizing the small and medium enterprise credit guarantee fund and requesting excellent collateral for loans.

#### b. Consumer Banking

Housing loans are primarily extended for purchasing of owner-occupied homes and to borrowers who are capable of making repayments. Affiliate with leading car dealers by offering car loan packages to strengthen the used-car loan market channels. Design the various types of consumer loan packages for different target groups based on market demands.

#### 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. Continue to promote non-recourse Usance L/C forfaiting

#### b. Continue to expand international financial investment business and join in syndicated loan with Risk Participation to make the most effective use of funds and improve revenue.

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

### D. Trust and Wealth Management Business

#### a. Continue to strengthen system functions in line with business development in order to enhance the quality of financial consulting services, operational efficiency and risk management.

#### 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. Introduce the program of variable-amount subscription to a fund through a regular saving plan to promote stable growth in customers' asset portfolios.

#### 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

## Operational Highlights

management.

- E. Credit Card
  - a. Design cards with competitive features taking into account different consumption patterns and host the various card promotion events to increase credit card purchases. Enhance the follow-up of purchases made through cards issued by branches.
  - b. Actively develop cooperation with large-scale retail chain stores to raise the market share of account receivable.
  - c. Enhance billing cycle management and actively engage in the promotion events to encourage usage of unused cards to increase the percentage of in-use cards.
  - d. Enhance cross-sale: make good use of the insurance marketing clientele lists, establish an insurance clientele database, update the insurance forecast model and construct a marketing model for unused cards.
  - e. Continue to promote collecting business of China Union Pay Card and Installment transaction.
- F. Actively manage the Bank's overall treasury position to effectively control liquidity risks. Maintain appropriate and adequate liquid positions to fund the Bank's business developments. On the other hand, the Bank's TMU dept. coordinates with business units to satisfy existing customers' needs for investing in financial instruments, as well as exploits new customer groups and offers timely financial market news and products to satisfy customers' needs for diverse and tailor-made products.

### (3) Market Analysis

#### A. Areas of Business Operation

As of the end of March 2013, the Bank has 88 domestic branches of which 45 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 each one Representative Office in Vietnam and Hong Kong respectively.

#### B. Analysis of Supply/Demand and Growth in Future Market

The outlook for 2013 is a slow recovery given that the global economy continues to be sluggish due to the Euro-zone recession, unresolved Fed issues in the US and tightening international trade conditions as a result of significant depreciation in the Japanese yen. The domestic economy expects to benefit from the slow recovery in the global environment and as such, the domestic banking sector expects improvements in loans and wealth management businesses as well as returns on investments. Cross-strait financial interactions are also expected to boost sales turnover in the various business areas of banks. We thus expect the banking sector to benefit from these favorable factors and sustain growth in the long term.

In terms of the bank's business development, the government's initiative to promote SME loans and the offering of loans to offshore enterprises will

## Operational Highlights

continue to fuel growth in corporate banking businesses. On the other hand, we do not anticipate significant growth in the housing loan market given that the government has introduced several measures to suppress the real estate market. However, we anticipate further boost in the personal unsecured loan market while the wealth management business expects steady growth.

- C. Competitive Niches and Advantages/Disadvantages Relating to Development Prospects and Responsive Measures
- a. Advantages
- I. The banking sector is expected to benefit from the launch of the cross-strait currency settlement mechanism and FSC's liberalization on several RMB related businesses in the areas of corporate banking and wealth management.
  - II. It is anticipated the banks will continue to self-regulate and control the loan interest rates to improve profitability.
- b. Disadvantages
- I. Due to high level of uncertainties in the global economic climate, the banking sector shall act prudently to avoid investment and credit risks.
  - II. Chinese banks will continue to enter the domestic banking market. It is inevitable that the competition between will intensify and pressure on operations will no doubt heighten.
- 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 customers 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

## Operational Highlights

- 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. Proactively promote issuance of bills with 1-year plus maturity to offer customers more diverse choices for short and medium-term capital planning. As at December 31, 2012, the sales turnover of bills issued by the Bank amounted to NT\$ 291 billion, a growth of 32% comparing to 2011.
  - c. 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”.
  - d. Consumer banking business also launched a “Preferential Micro-credit loan program for civil servants and teachers” to grab the vast civil servant and teacher market. However, housing mortgage business has not launched any new financial product due to the government’s “battling real estate speculation policy”.
  - e. Wealth Management Business  
During 2012, the Bank has launched several bond funds with stable returns in line with the global investment market sentiment and the bank actively assisted customers to adjust their asset allocation. As at December 31, 2012, the Bank had a total of 63,507 wealth management clients and total assets under management aggregated NT\$136.5 billion, representing an increase of 15% and 26% from that of 2011, respectively.
  - f. 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.
  - g. 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 NT dollar depositing, foreign-currency 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 savings 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. As at December 31, 2012, NT dollar deposits of the Fortune Passbook holders amounted to NT\$2,223,800,000 representing a 31% growth rate comparing to NT\$1,699,310,000 as at December 31, 2011. It is obvious that the children’s wealth management market is on the growing trend. The Bank’s Fortune Passbook differentiates itself from those offered by other banks. It offers special discounts for culture activities and parent-children financial planning educational programs. In 2012, the Bank hosted a series of events including “Union Bank Anniversary Celebration • Triple Robot Giveaways- Lucky Anniversary Prize” and the “Lucky Introductory Prize • Take the Robot Home” to reward existing customers as well as an educational event “Junior Banker

## Operational Highlights

- Wealth Management Camp”.
- h. Promotion of Automated Service and Internet Banking
- I. 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.
- II. The Bank introduced a mobile bank “Union Lohas APP” service through the e-Bank service in March 2012 featuring six major services including “Special Offers News, Special Offers Venue, Account Services, Financial Management News, Everyday Living News and Customer Service”. The service is free for downloading by anyone. Besides offering banking services including account inquiry, NT dollar transfers, foreign exchange purchase/sale, and bill payment, the built-in “cell phone coupons” function allows users to show discount coupons on the cell phone at over 5,000 participating merchants including leading convenience chain stores including FamilyMart, Hi-Life and OK-Mart, Taiwan Pelican Express Co., Ltd. and Pizza Hut to receive instant discounts. The service offers daily living convenience through the integrated e-banking facility.
- III. The Bank launches the “Internet Banking Canteen” service for personal banking customers. This service allows customers to download discount food coupons and discount coupons for selected products at Yesgogogo Shopping website. The Bank also launched the “Download Union Bank Lohas APP to enter the draw for New iPad” event specifically to promote the Lohas APP in hope of stimulating download rates with popular prizes. We also introduced “Foreign Exchange Special Offers” via specific e-banking channels in hope of maintaining sound bank-customer relationship and usage rates through the many offers for Internet shopping, purchases, prizes and foreign currency transactions. On the business dimension, new applicants for Internet banking services grew by 14% (while the average number of logins, transactions and account inquiries for 2012 grew by 6%, 14% and 13%, respectively ) in 2012 comparing to 2011.
- i. New Business Departments Established in the Most Recent Two Years: 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, 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	2012	2011	Increase/(decrease)	Growth Rate
Average Balance of Vehicle Loan Business	8,772	8,223	549	6%
Vehicle Loan Business Profit/Loss	203	243	(40)	-16%

## Operational Highlights

- 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	2012	2011
R&D Expenditure	2,600	2,688

- I. 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.
- II. The Bank has engaged in the development of the various smart phone applications in 2012. In addition to the mobile order placing software which already went live, the Bank had integrated the various resources and launched mobile iPhone and Android banking services in March 2012.
- 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 credit 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. In line with the developments in mobile credit card payment services, the Bank has set up a taskforce to integrate the applications of transport ticketing service and NFC to offer consumers more diverse and convenient services.
- V. In light of the maturity of mobile devices and the network environment, the Bank's R & D projects will be devoted to developing the applications used by mobile devices and design related services applications used in portable and convenient cell phones or phablets.

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

- A. Short-term Business Development Plan: Please refer to "Chapter (2) 2013 Business Plan".
- B. Long-term Business Development Plan: Please refer to page 2 "4. External Factors and Future Development Strategies of I. Letter to Shareholders"

## 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 2011	End of 2012	Mar31, 2013
Number of Employees	Permanent	3,111	3,207	3,159
	Temporary	0	0	0
	Other	0	0	0
	Total	3,111	3,207	3,159
Average age		34.51	36.10	36.37
Average year of service		6.96	7.90	8.14

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Year		End of 2011	End of 2012	Mar31, 2013
Education	Doctorate	0	0	0
	Master	6.53	6.89	6.74
	University (College)	84.73	84.69	84.81
	Senior High School	8.55	8.26	8.29
	Junior High School & Under	0.19	0.16	0.16
Type of professional certification held by employees		End of 2011	End of 2012	Mar31, 2013
Basic Proficiency Test for International Banking Personnel		271	280	275
Proficiency Test on Foreign Exchange Trading		14	13	12
Proficiency Test for Trust Operations Personnel		1,942	2,063	2,003
Subject Test - Laws and Regulations on Trust Businesses		10	13	14
Qualification exam for "General knowledge of Financial Markets and professional code of Ethics"		2,085	2,221	2,168
Financial Risk Manager (FRM)		3	3	3
Class B Accounts Clerk		7	7	7
Class C Accounts Clerk		119	111	106
Basic Proficiency Test for Bank Lending Personnel		393	400	396
Advanced Proficiency Test for Bank Lending Personnel		31	32	31
Proficiency Test for Bank Collateral Appraisal Personnel		17	13	12
Proficiency Test for Financial Planning Personnel		398	403	396
Structured Product Sales Personnel Qualification Test		138	166	164
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)		24	25	25
For taking "Investment trust & consulting regulations(including self-disciplinary rules)" only		593	623	621
Life insurance salesperson		2,239	2,326	2,267
Investment-oriented insurance salesperson		1,158	1,206	1,188
Fundamental Test of Investment-oriented insurance salesperson and financial market		178	176	168
Property Insurance Salesperson Registration Certificate		958	1,006	980
Qualification Test for Life Insurance Salesperson Selling Non-Investment Type of Insurance Product in Foreign Currency		877	922	902
Futures specialist		315	304	302
Bill finance specialist		69	73	72
Labor safety and health specialists (Class B certificate for labor safety and hygiene)		5	5	5
Class A Manager of Labor Safety & Health Affairs		51	51	51
Class B Manager of Labor Safety & Health Affairs		74	77	75
Class C Manager of Labor Safety & Health Affairs		9	17	17
Fire Fighting Administrator		114	128	128
First Aid Specialist		111	111	111
Bond Specialist		23	27	27
Basic Proficiency Test on Internal Controls		1,759	1,772	1,741
Securities specialist		278	281	272
Senior securities specialist		232	234	225
Securities investment trust and consulting professionals		177	179	173
Securities investment Analyst		4	6	5
Specialist of "Margin and Stock Loans by Securities Firms"		42	39	38
Assistant real estate Brokers		12	11	10

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



## Operational Highlights

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	11,395	1,507	12,902
Total training expense ( in NT\$ thousand)	13,554	3,196	16,750

- (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 Premises 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 2012, the Bank sponsored the foundation to host the “2012 Union Art Competition” and “2012 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. Huang Tu-Shui was the old-time artist recommended by the panel in 2012.  
For fifteen 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.

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- (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 2011.
  - 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: The Bank has been a keen participant of social charitable events and an enthusiastic promoter of culture and art. In January 2012, the Bank launched the “Donation of \$10 by Union Bank for Every Happy Card You Wrote” event and made a donation totalling NT\$ 62,100. In March 2012, the Bank hosted the “Happy Family Children’s Drawing Competition” and received a total of 2,622 drawings. The Bank made a \$20 donation for each drawing received totalling NT\$52,440 to the “Yunlin County Primary School Emergency Relief Fund”, an act that demonstrated our dedication to help the disadvantaged groups. In May 2012 in line with Mother’s Day celebrations, we organized the “Happy Sweet Pie” fun fair, inviting charitable foundations including the “Youth Care Foundation”, “Shelter Factories” and “Taiwan Woman’s Development Association” to run their own stalls for fundraising. The event was an opportunity to encourage the general public to show generosity and supports social welfare. The Bank donated 15% of the total proceeds from sale to the “Union Bank Cultural Foundation” to fund the foundation’s cultural and art events and cultivation of artistic talents. In July 2012, the Bank hosted the “Junior Banker Wealth Management Camp” and donated the full proceeds from the event totalling NT\$62,200 to support the “World Vision Taiwan-Educational Aid Support With Love” campaign. The main recipients of the aid are high school and tertiary students from economically disadvantaged families in Taitung and Lanyu. In order to support local music and art events and promote cultural growth in the long run, the Bank is the co-organiser of regular, special, community and campus music events with the “Kaohsiung City Philharmonic Cultural and Arts Foundation”.
- (4) Caring for Local Farmers and Residents of Disaster Zones
- The Bank launched the “Love to Share. Happy Gifts” event to coincide with promotional events run by the Council of Agriculture in February and November in 2012. Through the event, the Bank purchased 1,705 boxes of sweet potatoes (amounting to NT\$ 400,000) and 1,667 boxes of cabbages (amounting to NT\$300,000) and gave out the fresh produce to the Bank’s customers in hope of raising the public’s awareness of the hardship endured by local farmers and the importance of protecting our local agricultural market.
- To help the aboriginal communities who were the victims of Typhoon Morakot market their products, the Bank partnered with the “Kaohsiung Rapid Transit

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Corporation” to host the “Santo Arts & Craft Show – Aboriginal Art Experience” at the self-service bank at Santo Station. Not only were the aboriginal artists given the opportunity to showcase their artwork but the Rapid Transit station has also become an integrated space of art and living. The aboriginal communities are able to gain more employment opportunities through this type of event.

(5) Web Accessibility

The Bank has undertaken the web accessibility campaign to enhance the accessibility of the Bank’s official, personal banking and corporate banking website by users with mental or physical disabilities. The website includes banners and pictures to show text explanation, advertised interest rates and exchange rates through movement of the cursor and disabled users are able to click on the options instead of dragging the cursor to show drop-down menus. Keyboard shortcut keys are also available to ensure full accessibility of the Bank’s websites by people with disabilities, which we consider as an important part of our social responsibilities.

(6) Organize the “Guardian Bear Sponsorship and Eternal Protection of Women and Children Who Are Victims of Domestic Violence” Fundraising Event

The Bank partnered with the Garden of Hope Foundation to run the “**Guardian Bear Sponsorship and Eternal Protection of Women and Children Who Are Victims of Domestic Violence**” fundraising event during the period from January 20 to December 31, 2012. Services provided through the campaign included: counselling service to children who have witnessed domestic violence, domestic violence consultation services, legal aid, short-term shelter and employment placement for women who are victims of domestic violence. The campaign is critical in that it supports the victims to recover from the trauma and embarks on a new beginning in their life. The Bank supports and invites all card holders to sponsor the Guardian Bear project to protect and send warmth to female victims of domestic violence. Anyone who makes a single donation of more than NT\$3,000 or monthly donation of NT\$ 500 receives a locally made guardian bear. All proceeds from the donation will used to fund the campaign.

(7) To jointly promote the Love & Life events, the Bank partnered with the the “Kaohsiung Rapid Transit Corporation” to organize the various events including the “Kaohsiung Spring Art Season”, “Make Friends With the World Through Art”, “Let the Children Know the Beauty of Our Land”, “Kaohsiung Rapid Transit Corporation Autumn Art Festival” and “Warmth in Winter”. The Bank received the “Third Public Art Award- Best Educational Promotion” from the Ministry of Culture.

## **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, 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

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- communication controller, one 3174 back-end controller, one set of 3590 and 3490 tape drive each, 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 server and system of storage equipment centralization.
  - B. Development of the control system for country risks.
  - C. Development of the registration system for loaning of book-entry government bonds.
  - D. Upgrading of the report inquiry system.
  - E. Upgrading of host network architecture.
  - F. Upgrading of recording equipment system of call center.
  - G. Hardware and software upgrading of database storage.
  - H. Fund Trading System
  - I. Project for Debit card employing autoloan technology provided with Easy Card Corp.
  - J. Electornic bills SYSTEM
  - K. Asset management system
  - L. Web Application Fire wall Device.
- (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.
  - 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

## Operational Highlights

- 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.

### 6. Major Contracts

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Insurance Contract	Central Deposit Insurance Corporation	Signed on Apr. 27, 1994	Performance bond agreement for the solvency of financial institution in paying depositors	None
Insurance Contract	MSIG Mingtai Insurance Co., Ltd.	Jan. 21, 2013 To Jan. 21, 2014	Bankers Blanket Insurance	None
Outsource Contract	Union Information Technology Corp.	Jul. 01, 2001	Credit card information system	None
Outsource Contract	Financial eSolution Co., Ltd.	Apr. 14, 2008	Chip card transactions processing	None
Outsource Contract	Union Information Technology Corp.	Jun. 16, 2008	Design and maintenance of Web	None
Outsource Contract	Union Information Technology Corp.	Apr. 01, 2009	Collections system of Convenient Store and tuition	None
Outsource Contract	Union Information Technology Corp.	Jun. 01, 2009	e-Gift Voucher Management System	None
Outsource Contract	Surehigh International Technologies Co.,	Oct. 01, 2009	e-Gift Voucher Management System	None

## Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
	Ltd.			
Outsource Contract	Mohist Web Technology Co., Ltd.	Jul. 27, 2010	e-Gift Voucher Management System	None
Outsource Contract	IBM	Jul. 01, 2011	Credit card information system and statement printing	None
Outsource Contract	SmartStar Software Inc.	Nov. 05, 2012	Credit collection system	None
Outsource Contract	Gemalto Co., Ltd.	Jul. 15, 2007	Manufacturing of chip credit cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Dec. 10, 2007	Manufacturing of chip credit cards	None
Outsource Contract	Foongtone Technology Co., Ltd.	Jun. 09, 2008	Manufacturing of chip credit cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Jan. 23, 2008	Manufacturing of chip ATM cards	None
Outsource Contract	Foongtone Technology Co., Ltd.	Jun. 02, 2008	Manufacturing of chip ATM cards	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Jan. 01, 2008	Printing of withholding tax statements	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Nov. 01, 2008	Printing and mailing Statement	None
Outsource Contract	Ma Chiu Consulting Management Co. Ltd.	Feb. 02, 2005	Household registration and financial/tax information search	None
Outsource Contract	SinLinYang Business Consulting Co., Ltd.	Apr. 24, 2009	Household registration and financial/tax information search	None
Outsource Contract	EVERY8D Co., LTD.	Aug. 01, 2012	Messaging system and message delivery service	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Aug. 01, 2012	Printing, enveloping and delivery of credit card notification letter and aerogram	None
Outsource Contract	Hou Jeh Co., Ltd.	Dec. 31, 2008	Enveloping of credit card mails	None
Outsource Contract	Philip Morris International Taiwan	Nov. 20, 2012	Packaging and delivery of credit card redemptions	None
Outsource Contract	ELF Express Co., Ltd.	Oct. 17, 2008	delivery of credit card redemptions	None
Outsource Contract	SYSTEX Corporation	Sep. 01, 2012	Delivery of credit card statements	None
Outsource Contract	Chung Hwa Express Corp.	Jul. 01, 2008	Check clearing house delivery	None

## Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
			operation	
Outsource Contract	Leebao Security Co., Ltd	Aug. 01, 2008	Transportation of valuable securities and cash	None
Outsource Contract	Taiwan Security Co., Ltd.	Jan. 01, 2010	Transportation of valuable securities and cash	None
Outsource Contract	Jihsun Security Co., Ltd.	Dec. 01, 2012	Transportation of valuable securities and cash	None
Outsource Contract	Transnational Group	Jan. 01, 2013	Check clearing house delivery operation	None
Outsource Contract	An Fong Enterprise Co., Ltd.	Oct. 01, 2008	ATM banknote replenishment and troubleshooting operation	None
Outsource Contract	Lian-An Service Co., Ltd.	Jan. 01, 2010	ATM banknote replenishment and troubleshooting operation	None
Outsource Contract	Chou Jin-Kuo Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Ja Chou Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Shih Chang-Chih Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Lee & Lin Real Estate Consultant	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Lin Hsiu-Fan Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Lin Yin-Hui Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Hsin Yaun Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Yeah Ju-Cui Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Huang Jin-Yuan Conveyancing Office	Dec. 01, 2008	Conveyancing services	None
Outsource Contract	Pu-Hsin Conveyancing Office	Dec. 01, 2011	Conveyancing services	None

## Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Outsource Contract	Tai Ding Industrial Co., Ltd.	Aug. 28, 2007	Lost car search service	None
Outsource Contract	Fong Tai Management Consulting Co., Ltd.	Aug. 28, 2007	Lost car search service	None
Outsource Contract	Hong Jeh Management Consulting Co., Ltd.	Dec. 01, 2009	Lost car search service	None
Outsource Contract	SinJang Enterprise Co., Ltd.	Jul. 01, 2006	Lost car resell	None
Outsource Contract	Ho Rong Co., Ltd.	Oct. 01, 2006	Lost car resell	None
Outsource Contract	Yu San Automobile Co., Ltd.	Mar. 01, 2008	Lost car resell	None
Outsource Contract	Chung Yu Credit Finance & Credit Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	E-HAO MANAGEMENT CONSULTANT LTD	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Pick International Asset Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Justor Collection Management Co. Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Win Trust International Asset Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Sparkle Collection Management Co., Ltd	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Standard Finance & Credit Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	YuBan Credit Management Consulting Co., Ltd.	Jul. 06, 2007	Collection of receivables	None
Outsource Contract	Asia Credit Management Co., Ltd.	Oct. 27, 2009	Collection of receivables	None
Outsource Contract	APEX Credit Solutions Inc.	Oct. 27, 2009	Collection of receivables	None
Outsource Contract	United Credit Services Ltd.	Oct. 27, 2009	Collection of receivables	None



## Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Outsource Contract	Global Credit Management Ltd.	Oct. 01, 2011	Collection of receivables	None
Outsource Contract	Hung Lih Asset Management Consulting Co., Ltd.	Oct. 01, 2011	Collection of receivables	None
Outsource Contract	Uni-President Enterprises Corporation	Nov. 01, 2005	Collection of consumer loan payment	None
Outsource Contract	Taiwan FamilyMart Co., Ltd.	Jun. 01, 2011	Collection of consumer loan payment	None
Outsource Contract	Taiwan FamilyMart Co., Ltd.	Jun. 01, 2011	Collection of credit card payment	None
Outsource Contract	Hi-Life International Co., Ltd	Sep. 25, 2012	Collection of credit card payment	None
<p><b>Major (Note) Contracts Including Technology Cooperation Agreement, Construction Agreement, Long-term Loan Agreement and Other Agreements Sufficient to Impact the Rights of Depositors or Shareholders:</b> None.</p> <p><b>Note:</b> Major contracts referred herein are contracts with a single contract value exceeding NT\$ 300 million.</p>				

- 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

# 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 (Note1)					Mar 31,2013
		2008	2009	2010	2011	2012	
Cash and cash equivalent, due from the Central Bank and other banks		49,126,993	62,909,538	70,268,555	110,172,361	84,949,171	82,739,032
Financial assets at fair value through profit or loss		7,675,019	400,971	3,017,823	8,167,543	8,094,894	10,318,060
Securities purchased under resell agreements		6,555,286	289,953	39,500	251,626	21,764,953	11,420,557
Available-for-sale financial assets		6,279,718	7,134,236	6,230,049	7,516,896	10,237,156	9,013,511
Discounts & loans		180,012,904	169,959,853	189,657,099	190,679,993	201,833,438	214,545,402
Receivables		23,513,603	20,076,909	16,808,438	15,086,661	14,124,123	13,741,779
Held-to-maturity investment		36,318,287	9,724,545	3,272,634	1,313,015	811,872	1,008,124
Equity investments- Equity method		2,479,374	2,209,409	1,050,576	1,114,794	1,182,415	2,415,551
Property & equipment		8,511,227	8,274,634	8,089,483	7,956,701	7,713,002	7,704,671
Intangibles		2,507,396	2,369,638	2,374,485	2,119,709	1,985,307	2,079,795
Other financial assets		24,537,416	55,850,117	57,137,087	49,631,216	51,391,851	53,934,743
Other assets		10,173,726	7,930,237	5,127,948	3,714,937	3,188,106	5,224,948
<b>Total Assets</b>		<b>357,690,949</b>	<b>347,130,040</b>	<b>363,073,677</b>	<b>397,725,452</b>	<b>407,276,288</b>	<b>414,146,173</b>
Call loans and due to banks		20,074,203	18,088,773	10,287,346	7,007,256	5,115,437	5,041,462
Deposits and remittance		277,751,334	271,124,191	289,605,854	322,756,910	337,399,136	344,210,108
Financial liabilities at fair value through profit or loss		212,904	81,243	51,584	33,852	27,417	84,700
Securities sold under repurchase agreements		27,843,332	26,415,907	33,596,926	34,522,173	28,289,349	24,942,027
Payables		4,981,318	3,276,818	3,838,896	5,847,302	6,270,703	6,883,664
Bank debentures		9,044,300	9,900,000	4,890,000	4,890,000	5,200,000	5,200,000
Liability component of preferred stocks		-	-	-	-	-	-
Other financial liabilities		220,896	242,363	318,027	337,852	398,965	281,217
Other liabilities		473,441	470,515	390,574	365,444	501,876	1,586,051
Total Liabilities	Before distribution	340,601,728	329,599,810	342,979,207	375,760,789	383,202,883	388,229,229
	After distribution	340,601,728	329,599,810	342,979,207	375,760,789	383,202,883	388,229,229
Capital stock		23,188,244	23,188,244	19,484,996	19,484,996	20,264,396	20,264,396
Capital surplus		33,811	33,811	33,811	33,811	33,811	32,413
Retained earnings	Before distribution	(5,907,536)	(5,651,650)	1,176,594	3,054,066	4,130,796	5,268,024
	After distribution	(5,907,536)	(5,651,650)	1,176,594	1,517,215	Note2	-
Unrealized profit/(loss) on financial assets		(244,849)	17,065	155,124	(167,173)	413,490	490,317

## Financial Highlights

Item \ Year	Financial Data for the Past Five Years (Note1)					Mar 31, 2013	
	2008	2009	2010	2011	2012		
Cumulative translation adjustments	49,843	31,662	(640,778)	(263,522)	(564,137)	(138,206)	
Others	(30,292)	(88,902)	(115,277)	(177,515)	(204,951)	-	
Total Shareholders' Equity	17,089,221	17,530,230	20,094,470	21,964,663	24,073,405	25,916,944	
	Before distribution						
	After Distribution	17,089,221	17,530,230	20,094,470	21,207,212	Note2	-

Note1: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2013.

Note2: The 2013 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2012 was not provided.

### (2) Condensed Income Statements

In NT\$ thousand

Item \ Year	Financial Data for the Past Five Years (Note)					Mar 31, 2013
	2008	2009	2010	2011	2012	
Net interest	7,293,692	5,842,861	6,650,288	6,662,353	5,711,080	1,461,597
Net revenues other than interest	(1,028,430)	827,096	250,278	644,539	1,718,533	529,147
Bad debts	2,692,090	1,359,427	409,502	121,500	(647,490)	(50,779)
Operating expenses	5,362,815	4,635,022	4,658,552	4,964,012	5,036,907	1,261,176
Income (loss) before income tax	(1,789,643)	675,508	1,832,512	2,221,380	3,040,196	780,347
Income (loss) before cumulative effect of accounting changes	(1,209,964)	255,886	1,410,425	1,826,615	2,613,581	694,017
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)	(1,209,964)	255,886	1,410,425	1,826,615	2,613,581	694,017
Earnings (loss) per share (\$)	(\$0.63)	\$0.18	\$0.92	\$0.95	\$1.41	\$0.34

Note: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2013.

### (3) Name of CPAs and the Auditors' Opinion

Year	CPA Firm	Independent Auditors	Audit Opinion
2008	Deloitte & Touche	Yi-Jun Wu / Ray Chang	Qualified opinion <sup>note</sup>
2009	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion <sup>note</sup>
2010	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion <sup>note</sup>
2011	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion <sup>note</sup>
2012	Deloitte & Touche	Terence Huang / Vincent	Unqualified opinion <sup>note</sup>

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

Item	Year	Financial Data for the Past Five Years (Note1)					Mar 31,2013
		2008	2009	2010	2011	2012	
Operating capability	Loans to deposits ratio (%)	65.81	63.29	66.03	59.70	60.50	63.00
	Non-performing loan ratio (%)	2.69	2.35	0.74	0.36	0.23	0.22
	Interest expense to average total deposits (%)	2.77	1.36	0.90	0.94	1.03	0.97
	Interest revenue to average total loans (%)	7.76	5.54	5.13	5.00	4.61	4.36
	Total asset turnover (times)	0.0175	0.0192	0.0190	0.0184	0.0182	0.0192
	Average net income per employee	2,034	2,294	2,320	2,349	2,317	2,521
	Average earnings per employee	(393)	88	474	587	815	879
Profitability	Return on tier 1 capital (%)	(19.22)	6.72	14.68	15.28	17.00	NA
	Return on assets (%)	(0.34)	0.07	0.40	0.48	0.65	0.68
	Return on equity (%)	(6.88)	1.48	7.50	8.69	11.35	11.11
	Net income ratio (%)	(19.31)	3.84	20.44	25.00	35.18	34.86
	EPS (NT\$)	(0.63)	0.18	0.92	0.95	1.41	0.34
Financial Structure	Total liabilities to total assets ratio (%)	95.20	94.93	94.44	94.47	94.06	93.55
	Fixed assets to shareholders' equity ratio (%)	49.80	47.20	40.26	36.23	32.04	29.73
Growth rate	Asset growth ratio (%)	(0.23)	(2.95)	4.59	9.54	2.40	1.69
	Profitability growth ratio (%)	72.29	137.75	171.28	21.22	36.86	2.67
Cash Flow	Cash flow ratio (%)	9.20	26.39	12.16	9.50	11.82	-
	Cash flow adequacy ratio (%)	309.40	2,207.02	2,664.04	2,533.15	2,093.56	-
	Cash flow reinvestment ratio (%)	117.33	301.60	54.14	12.46	50.30	-
Liquid Reserve Ratio (%)		18.81	23.81	21.13	29.97	29.02	23.46
Balance of Secured Loans to Related Parties		5,188,129	5,210,915	3,623,169	3,022,980	3,486,562	3,587,737
Total Secured Loans to Related Parties as a % of Total Loans		2.73	2.49	1.81	1.49	1.63	1.57
Operation Scale	Market share of asset (%)	1.04	0.98	0.97	1.00	0.99	0.98
	Market share of net worth (%)	0.85	0.82	0.88	0.91	0.92	0.97
	Market share of deposits (%)	1.03	0.95	0.96	1.02	1.03	1.04
	Market share of loans (%)	0.99	0.92	0.96	0.92	0.94	1.00

Note1: All financial data for the most recent five years was audited by CPA with the exception of the first quarterly financial data for 2013.

Note2: The financial ratios for the first quarter of 2013 were annualized

Note 3: Financial ratios are computed as follows:

#### I. Operating Capability

## Financial Highlights

- 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.

# Financial Highlights

## (2) Capital Adequacy

In NT\$ thousand

Item		Year(Note1)	Financial Data for the Past Five Years (Note2)					Mar 31,2013
			2008	2009	2010	2011	2012	
Regulatory Capital	Common Stock Equity		8,682,110	11,428,073	13,539,665	15,534,886	20,240,171	21,919,435
	Other Tier1 Capital of Non- Common Stock Equity		0	0	0	0	0	0
	Tier2 Capital		6,298,585	2,686,699	3,715,928	5,245,841	4,391,214	3,563,375
	Regulatory Capital		14,980,695	14,114,772	17,255,593	20,780,727	24,631,385	25,482,810
Risk Weighted Assets	Credit risk	Standardized Approach	154,638,398	138,505,286	154,210,916	157,020,298	172,264,571	181,496,380
		Internal Ratings-Based Approach	-	-	-	-	-	-
		Credit Valuation Adjustment (CVA)	0	0	0	0	0	5,806
		Asset Securitization	760,942	1,024,060	629	0	2,173,343	1,788,800
	Operation risk	Basic Indicator Approach	16,657,182	14,901,512	14,993,291	15,633,843	15,472,421	15,472,421
		Standardized Approach/ Alternative Standardized Approach	-	-	-	-	-	-
		Advanced Measurement Approach	-	-	-	-	-	-
	Market Risk	Standardized Approach	5,137,292	4,298,058	3,225,875	5,666,525	6,945,775	7,683,332
		Internal Model Approach	-	-	-	-	-	-
	Total Risk-weighted Assets			177,193,814	158,728,916	172,430,711	178,320,666	196,856,110
Capital Adequacy Ratio			8.45%	8.89%	10.01%	11.65%	12.51%	12.34%
Ratio of tier 1 capital to risk-weighted assets			4.90%	7.20%	7.85%	8.71%	10.28%	10.62%
Ratio of common stock equity to risk-weighted assets			4.90%	7.20%	7.85%	8.71%	10.28%	10.62%
Leverage Ratio			2.45%	3.29%	3.85%	4.12%	5.06%	4.20%

Note1: All financial data for the most recent five years was audited by CPA with the exception of the first quarterly financial data for 2013. Only that the gearing ratio as at March 31, 2013 was computed based on the BASEL3 standards which were implemented from 2013.

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- i. Regulatory Capital = Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity + Tier2 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 = (Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity) / Total risk-weighted assets.
- v. Ratio of Common Stock Equity 1 to risk-weighted assets = Common Stock Equity / Total risk-weighted assets.
- vi. Gearing ratio = Tier 1 Capital- Net / Total Risk Exposure
- vii. Common Stock to Total Assets Ratio = Common Stock / Total Assets.

# Financial Highlights

(Non-Consolidated)

In NT\$ thousand

Item	Year(Note 1)	Financial Data for the Past Five Years (Note2)					Mar 31,2013
		2008	2009	2010	2011	2012	
Tier1 capital	Common Stock	19,188,2	19,188,2	1,9,908	1,9,908	20,00,202	20,00,202
	Irredeemable non-cumulative preferred stock	0	0	0	0	0	0
	Non-cumulative subordinate debentures with no maturity date	0	0	0	0	0	0
	Capital collected in advance	0	0	0	0	0	0
	Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	33,811	33,811	33,811	33,811	32,13
	Legal Reserve	10,812	0	0	3,298	900,93	900,93
	Special Reserve	20,	0	0	8,	08,209	08,210
	Cumulative Profit/Loss	,2,003	2,82,82	1,1,	1,82,	2,21,2	3,8,00
	Minority Shareholding	0	0	0	0	0	0
	Other Shareholders' Equity	33,	11,88	801,28	1,03,21	1,13,	0,93
	Less: Goodwill	2,0,39	2,39,38	2,3,	2,119,09	1,98,30	1,9,1
	Unamortized loss on sale of delinquent loans	0	0	0	0	0	0
	Deferred income tax assets based on the bank's future profitability	0	0	0	0	0	10,0
	Unrealised gain on available-for-sale financial assets	0	0	0	0	0	9,2
	Deduction items	1,90,3	2,81,1	9,	8,919	81,	1,389,32
<b>Total Tier 1 Capital</b>	<b>8,82,110</b>	<b>11,28,03</b>	<b>13,39,</b>	<b>1,3,88</b>	<b>20,20,11</b>	<b>21,919,3</b>	
Tier2 Capital	Irredeemable Cumulative Preferred Stock	,000,000	,000,000	3,02,088	3,02,088	20,19	183,
	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	9,128	3,03	90,22	192,28	3,1,93	30,931
	Convertible bonds	0	0	0	0	0	0
	Operating reserve and allowance for bad debts	0	0	0	0	,3	,99
	Long-term subordinate debentures	,000,000	3,10,000	1,8,000	2,880,000	,000,000	3,90,000
	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	1,90,3	1,1,99	8,38	8,1,8	8,1,	1,389,32
	Less: 50% of Cumulative Loss	0	2,82,82	0	0	0	0
	<b>Total Tier 2 Capital</b>	<b>,298,8</b>	<b>2,8,99</b>	<b>3,1,928</b>	<b>,2,81</b>	<b>,391,21</b>	<b>3,3,3</b>
Tier3 Capital	Short-term subordinate debentures	0	0	0	0	0	0
	Redeemable preferred stock	0	0	0	0	0	0
	<b>Total Tier 3 Capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Regulatory Capital</b>	<b>1,980,9</b>	<b>1,11,2</b>	<b>1,2,93</b>	<b>20,80,2</b>	<b>2,31,38</b>	<b>2,82,810</b>	

# Financial Highlights

Item		Year(Note 1)	Financial Data for the Past Five Years (Note2)					Mar 31,2013
			2008	2009	2010	2011	2012	
Risk Weighted Assets	Credit risk	Standardized Approach	1 , 38, 398	138, 0 , 28	1 , 210, 91	1 , 020, 298	1 2, 2 , 1	181, 9 , 380
		Internal Ratings-Based Approach	0	0	0	0	0	0
		Credit Valuation Adjustment (CVA)	0	0	0	0	0	, 80
		Asset Securitization	0, 9 2	1, 02 , 0 0	29	0	2, 1 3, 3 3	1, 88, 800
	Operation risk	Basic Indicator Approach	1 , , 182	1 , 901, 12	1 , 993, 291	1 , 33, 8 3	1 , 2, 21	1 , 2, 21
		Standardized Approach/ Alternative Standardized Approach	0	0	0	0	0	0
		Advanced Measurement Approach	0	0	0	0	0	0
	Market Risk	Standardized Approach	, 13 , 292	, 298, 0 8	3, 22 , 8	, , 2	, 9 ,	, 83, 332
		Internal Model Approach	0	0	0	0	0	0
	Total Risk-weighted Assets		1 , 193, 81	1 8, 28, 91	1 2, 30, 11	1 8, 320,	19 , 8 , 110	20 , , 39
Capital Adequacy Ratio		8	8 89	10 01	11	12 1	12 3	
Ratio of tier 1 capital to risk-weighted assets		90	20	8	8 1	10 28	10 2	
Ratio of tier 2 capital to risk-weighted assets		3	1 9	2 1	2 9	2 23	1 2	
Ratio of tier 3 capital to risk-weighted assets		0	0	0	0	0	0	
Ratio of common stocks to total assets		3	3	3	1	93	8	

Note1: All financial data for the most recent five years was audited by CPA with the exception of the first quarterly financial data for 2013.

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- viii. Regulatory Capital = Tier 1 capital + tier 2 capital + tier 3 capital
- ix. Total risk-weighted assets= Credit risk weighted assets + (operational risk + market risk) capital appropriation\* 12.5.
- x. Capital adequacy ratio= Regulatory capital/Total risk-weighted assets.
- xi. Ratio of tier 1 capital to risk-weighted assets = Tier 1 capital/Total risk-weighted assets.
- xii. Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital/Total risk-weighted assets.
- xiii. Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital/Total risk-weighted assets.
- xiv. Common Stock to Total Assets Ratio= Common Stock/Total Assets.

Note4: 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)

In NT\$ thousand

Item		Year (Note 1)	Financial Data for the Past Five Years(Note2)				
			2008	2009	2010	2011	2012
Regulatory Capital	Tier 1 capital	Common Stock	19,188,244	19,188,244	16,459,908	16,459,908	20,060,202
		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	0	0	352,978	900,963
		Special Reserve	240,655	0	0	874,473	608,209
		Cumulative Profit/Loss	-6,256,003	-2,825,825	1,176,594	1,826,615	2,621,624
		Minority Shareholding	1,616,592	1,728,522	214,532	225,047	236,568
		Other Shareholders' Equity	-334,471	-116,848	-801,428	-1,036,271	-1,137,674
		Less: Goodwill	2,507,396	2,369,638	2,374,485	2,119,709	1,985,307
		Unamortized loss on sale of delinquent loans	0	0	0	0	0



## Financial Highlights

Item	Year (Note 1)		Financial Data for the Past Five Years(Note2)					
			2008	2009	2010	2011	2012	
Item		Deduction items	583,936	1,755,385	508,339	364,323	340,871	
		Total Tier 1 Capital	11,505,308	13,882,881	14,200,593	16,252,529	20,997,525	
	Tier2 capital	Irredeemable Cumulative Preferred Stock	4,000,000	4,000,000	3,025,088	3,025,088	204,194	
		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	49,128	34,503	90,224	192,628	351,934	
		Convertible bonds	0	0	0	0	0	
		Operating reserve and allowance for bad debts	0	16,353	0	23,894	660,432	
		Long-term subordinate debentures	3,843,500	3,070,833	1,458,000	2,880,000	4,040,000	
		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	583,936	935,693	410,987	364,323	340,871	
		Less: 50% of Cumulative Loss	0	2,825,825	0	0	0	
		Total Tier 2 Capital	7,308,692	3,360,171	4,162,325	5,757,287	4,915,689	
		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		18,814,000	17,243,052	18,362,918	22,009,816	25,913,214	
	Risk-weighted Assets	Credit risk	Standardized Approach	169,321,710	153,104,392	161,235,905	164,071,544	179,355,940
			Internal Ratings-Based Approach	0	0	0	0	0
Asset Securitization			760,942	1,078,855	54,476	37,186	2,210,034	
Operational risk		Basic Indicator Approach	17,915,629	16,297,550	16,722,350	17,361,014	17,483,582	
		Standardized Approach/ Alternative Standardized Approach	0	0	0	0	0	
		Advanced Measurement Approach	0	0	0	0	0	
Market risk		Standardized Approach	8,577,007	5,196,627	3,314,250	5,790,138	7,249,375	
		Internal Model Approach	0	0	0	0	0	
Total Risk-weighted Assets		196,575,288	175,677,424	181,326,981	187,259,882	206,298,931		
Capital Adequacy Ratio		9.57%	9.82%	10.13%	11.75%	12.56%		
Ratio of tier 1 capital to risk-weighted assets		5.85%	7.90%	7.83%	8.68%	10.18%		
Ratio of tier 2 capital to risk-weighted assets		3.72%	1.92%	2.30%	3.07%	2.38%		
Ratio of tier 3 capital to risk-weighted assets		0	0	0	0	0		
Ratio of common stocks to total assets		5.11%	5.33%	4.50%	4.10%	4.88%		

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

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: 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  $\times 12.5$ .
- 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.

Note4: 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 2012 Financial Statements

Union Bank of Taiwan Co., Ltd.

#### Supervisors' Report

The Board of Directors of the Bank has prepared and submitted the 2012 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. Vincent Cheng 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-Shing Investment Co., Ltd.

Representative Zhen-Lu Lin



Supervisor Si-Yong Lin



March 20, 2013

4. **Financial Statements for 2012** : please refer to Page 125 to Page 188
5. **2012 consolidates financial Statements** : please refer to Page 189 to Page 274
6. **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	Dec. 31, 2012	Dec. 31, 2011	Difference	
				Amount	%
Cash & cash equivalent, Due from Central Bank and other banks		84,949,171	\$110,172,361	(25,223,190)	-23%
Financial assets at fair value through profit or loss		8,094,894	8,167,543	(72,649)	-1%
Securities purchased under re-sale agreements		21,764,953	251,626	21,513,327	8550%
Financial assets available for sale		10,237,156	7,516,896	2,720,260	36%
Discount & loans		201,833,438	190,679,993	11,153,445	6%
Accounts Receivable		14,124,123	15,086,661	(962,538)	-6%
Held-to-maturity investment		811,872	1,313,015	(501,143)	-38%
Stock investments accounted for under the Equity Method		1,182,415	1,114,794	67,621	6%
Property & equipment		7,713,002	7,956,701	(243,699)	-3%
Intangibles		1,985,307	2,119,709	(134,402)	-6%
Other Financial Assets		51,391,851	49,631,216	1,760,635	4%
Other Assets		3,188,106	3,714,937	(526,831)	-14%
Total Assets		407,276,288	\$397,725,452	9,550,836	2%
Due to Central Bank & other banks		5,115,437	\$7,007,256	(1,891,819)	-27%
Deposits & Remittance		337,399,136	322,756,910	14,642,226	5%
Financial liabilities at fair value through profit or loss		27,417	33,852	(6,435)	-19%
Securities sold under re-purchase agreements		28,289,349	34,522,173	(6,232,824)	-18%
Accounts Payable		6,270,703	5,847,302	423,401	7%
Borrowing from Central Bank and Other Banks & Financial Bills Payable		5,200,000	4,890,000	310,000	6%
Preferred Stock Liabilities		-	-	-	-
Other Financial Liabilities		398,965	337,852	61,113	18%
Other Liabilities		501,876	365,444	136,432	37%
Total Liabilities		383,202,883	\$375,760,789	7,442,094	2%
Capital		20,264,396	\$19,484,996	779,400	4%
Capital Surplus		33,811	33,811	-	-
Retained Earnings		4,130,796	3,054,066	1,076,730	35%
Unrealized Loss on Financial Assets		413,490	(167,173)	580,663	347%
Cumulative translation adjustments		(564,137)	(263,522)	(300,615)	114%
Shareholders' Equity- Other		(204,951)	(177,515)	(27,436)	15%
Total Shareholders' Equity		24,073,405	\$21,964,663	2,108,742	10%

# Analysis of the Financial Status and Operating Results & Risk Management

**Notes:**

1. The decrease in held-to-maturity financial assets was due primarily to the significant repayment of the Bank's invested securities.
2. The decrease in cash and cash equivalents, due from Central Bank and Interbank call loans was a result of the decrease in Chunghwa Post Co., Ltd transfer deposits.
3. The increase in retained earnings was primarily due to increases in net income.

## 2. Results of Operation

In NT\$ thousand

Item	2012		2011		Change in Amount	Change in %
	Amount		Amount			
Interest Income		\$5,711,080		\$6,662,353	(951,273)	-14%
Income other than Interest Income		1,718,533		644,539	1,073,994	167%
Bad debt expense		(647,490)		121,500	(768,990)	-633%
Operating expense		5,036,907		4,964,012	72,895	1%
Wages & salaries	2,425,680		2,346,886		78,794	3%
Depreciation & amortization expense	259,551		301,954		(42,403)	-14%
Other business & administrative expense	2,351,676		2,315,172		36,504	2%
Income (loss) before tax		3,040,196		2,221,380	818,816	37%
Income tax benefits (expense)		426,615		394,765	31,850	8%
Net Profit (Loss)		\$2,613,581		\$1,826,615	786,966	43%

**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	2012	2011	Change in %
	Cash flow ratio (%)		11.82	9.50
Cash flow adequacy ratio (%)		2,093.56	2,533.15	-439.59%
Cash flow satisfaction ratio (%)		50.30	12.46	37.84%

**Analysis of changes in proportion:**

1. The increase in cash flow ratio was because of the increase of profit in 2012.
2. The decrease in net cash flow adequacy ratio was due to the issuance of Cash Dividend in 2012.
3. The increase of cash flow satisfaction ratio was mainly due to the reason that the net cash outflow generated by investment activities was less than those of the previous year.

# Analysis of the Financial Status and Operating Results & Risk Management

## (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
9,570,257	(279,248)	258,078	9,549,087	-	-

### 1. Cash flow analysis:

- (1) Operating activities: The increase was due to business growth and increases in operating revenue and profitability.
- (2) Investing activities: To meet the business demand of growth in loans, and expansion of deposits.
- (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 Actual or	Date of Completion Estimated	Total Funding Required	Utilization of Actual or Estimated Source of Funding				
				2009	2010	2011	2012	2013
Office equipment	Self-funding	December 2013	103,319	29,761	19,728	22,488	22,659	8,683
Transportation equipment	Self-funding	December 2013	45,456	6,725	10,246	4,985	8,834	14,666
Other equipment	Self-funding	December 2013	91,582	29,208	40,796	5,367	5,426	10,785
Land	Self-funding	December 2013	7,801	0	7,564	0	237	0
Building & improvements	Self-funding	December 2013	373,809	0	236,274	414	31,359	105,762

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

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

### (1) Reinvestment Policy

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.

### (2) The Main Reasons for Profit or Loss, and Corrective Action Plan in 2012

The Bank's Investment profit recognized in 2012 totalled NT\$214,000,000 and the main items recognized are the operating profit and cash dividend income of the reinvestment business.

### (3) Improvement Plan

The Bank evaluates the performance and risks of our investee companies on a regular basis during the year. We adopt a proactive management approach in that we examine the financial and business status of investee companies from time to

## Analysis of the Financial Status and Operating Results & Risk Management

time and make adjustments accordingly to ensure performance.

(4) 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-2012

Item	Contents
1. Credit risk management strategies and procedures	<ol style="list-style-type: none"> <li>1. Credit risk management strategy: The Bank has enacted UBOT credit risk management principle as the basis to plan, promote, manage and execute the credit risk.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
2. Credit risk management organization and framework	<ol style="list-style-type: none"> <li>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.</li> <li>2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's credit risk management.</li> <li>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.</li> <li>4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and properly supervising the performance of risk control of respective business unit.</li> <li>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.</li> </ol>
3. Scope and characteristics of credit risk reporting and measurement system	<p>Scope of Risk Reporting</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. The Risk Management Dept. monitors the control of the Bank's credit limits</li> </ol>

## Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
	<p>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> <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, country, group, credit concentration and types of collateral, to effectively measure and manage the combination of asset.</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.</p> <p>The Bank's IT system provides the relevant risk information to assist the Bank's management to perform risk monitoring procedures. The Risk Management Dept. 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, 2012

In NT\$ thousand

Type of exposure	Exposure after risk reduction	Capital requirement
Sovereign states	81,048,582	0
Public departments other than the central government	10,202,201	163,235
Banks (including multiple development banks)	17,774,341	233,663
Enterprises (including securities and insurance companies)	43,523,720	3,382,684
Retailing credits	94,686,471	6,201,867
Residential real estate	71,686,737	2,910,197
Investments in equity securities	104,489	33,437
Other assets	19,221,957	856,083
Total	338,248,497	13,781,166

## Analysis of the Financial Status and Operating Results & Risk Management

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

#### a. Risk Management System of Asset Securitization in 2012

Item	Contents
1. Management strategy and procedure of securitization	<p>(1) 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) 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. 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 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 and Liability Management committee and the Board of Director.
4. 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, 2012

Type	Total issue amount	Outstanding balance	Amount repurchased
None			



c. Exposure & Capital Requirement of Asset Securitization As of December 31, 2012

		In NT\$ thousand						
Total	Capital requirement prior to securitization							
	Capital requirement (6) = (2) + (4)		173,867	0	173,867			173,867
	Exposures (5) = (1) + (3)		44,068,503	0	44,068,503			44,068,503
Portfolio	Capital requirement (4)		0	0	0			
	Exposur	Held or Purchased (3)	0	0	0			
Conventional	Capital requirement (2)		173,867	0	173,867			173,867
	Exposures	Subtotal (1)	44,068,503		44,068,503			44,068,503
		The enhancement of credit provided	0	0	0			
		Liquidity facilities provided	0	0	0			
		Held or Purchased	44,068,503	0	44,068,503			44,068,503
Type of exposure		CMO		CMO			CMO	
Type of exposure	Book Type	Bank Book	Trade Book	Subtotal	Bank Book	Trade Book	Subtotal	
		Non-originating bank			Originating bank			Total
The role of bank								

# Analysis of the Financial Status and Operating Results & Risk Management

## d. Information of Securitized commodities investment As of December 31, 2012

### I. Summary of Investment in Securitized commodities

USD : NTD = 1 : 29.136

In NT\$ thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
CMO	Held-to-maturity financial assets	55,576	0	0	55,576
CMO	Non-active market debt instruments	43,871,572	0	0	43,871,572

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 : 29.136

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	20091230-20120830	2.5%~5.5%	Moody's Aaa	Monthly	33,060,055	0	0	33,060,055		
				20130314-20190814									
Freddie CMO	Non-active market debt instruments	USD	Freddie Mac	20121030-20121228	3.0%~3.5%	Fitch AAA	Monthly	2,582,428	0	0	2,582,428	N/A	N/A
				20130720-20140624									
Fannie Mae CMO	Non-active market debt instruments	USD	Fannie Mae	20121030-20121129	3.0%~3.5%	S&P AA+	Monthly	2,247,361	0	0	2,247,361		
				20131108-20131229									

- 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												

## Analysis of the Financial Status and Operating Results & Risk Management

- 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

2012

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>
2. Operational risk management organization and framework	<ol style="list-style-type: none"> <li>1. Board of Directors: The top decision-making body of the Bank's operational risk management policy. Responsible for reviewing the Bank's operational risk management policy.</li> <li>2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's operational risk management.</li> <li>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.</li> <li>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.</li> <li>5. All business units: Shall comply with the rules and regulations set forth by the Business Administration departments in daily operations.</li> </ol>

## Analysis of the Financial Status and Operating Results & Risk Management

Item	Risks
3. Scope and characteristics of the operational risk reporting and measurement system	<ol style="list-style-type: none"> <li>1 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 Dept..</li> <li>2 The Bank has put in place the “Operational Risk Indicators”. Upon setting the control frequency and risk warning standards, the relevant departments are responsible for providing the risk indicator values based on the risk control frequency to the Risk Management Dept. Improvement measures are taken to address any risks that exceeded the set standards.</li> <li>3 The Risk Management Dept. reports the status control of “operational risk events” and “operational risk indicators” to the Assets and Liabilities Management Committee and Board of Directors on a regular basis.</li> </ol>
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"> <li>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.</li> <li>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.</li> <li>3. Risk Management Dept. informs Assets and Liabilities Management Committee about operation risk incidents collected quarterly and reports the Board of Director the operation risk control status of all business biannually.</li> </ol>
5. Method used to provide the legal capital	Basic Indicator Approach.

### b. Operation Risk Capital Requirement As of Dec.31, 2012

In NT\$ thousand

Year	Gross profit	Capital requirement
2010	8,577,528	
2011	8,484,711	
2012	7,693,634	
Total	24,755,873	1,237,794

### D. Market Risk Management System and Capital Requirement

#### a. Market Risk Management System – 2012

Item	Contents
1. Market risk management strategies and procedures	<ol style="list-style-type: none"> <li>1. The Bank has enacted “UNION BANK market risk management principle” approved by the Board of Directors, as the basis for market risk management.</li> <li>2. The management procedure of market risk management contains the following five processes: <ol style="list-style-type: none"> <li>(1) Risk Identification: For items on/off the Balance Sheet, the bank identify the market risk factors of various products and</li> </ol> </li> </ol>

## Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
	<p>investment business to evaluate the risk and define management procedure and control mechanism.</p> <p>(2) Risk Measurement: To cope with market risk quantification, there is at least one assessment tool for each investment or transaction. The assessment tools include mark-to-market, nominal principal, sensitivity analysis, value at risk and pressure test.</p> <p>(3) Risk Monitoring: Clearly define risk limits on relevant operation regulations for all business and monitor by frequency. Risk Management Dept. is in charge of the summarization and presentation of market risks for the Bank.</p> <p>(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.</p> <p>(5) Risk reduction: Risk reduction procedures such as risk hedging, investment portfolio adjustment, position allocation, stop-loss and close new transactions.</p>
2. Market risk management organization and framework	<p>1. Board of Directors: The top decision-making body 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.</p> <p>2. Asset and Liability Management Committee: Examine the management reports and information submitted by risk management department and the business units.</p> <p>3. Risk Management Dept.: It is a dedicated independent risk management unit executing three pillars related operation of BASEL II market risk, planning and building market risk measuring tools, and monitoring according to the risk limits for different products.</p> <p>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.</p>
3. Scope and characteristics of the market risk reporting and measurement system	<p>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.</p> <p>2. All business units and Risk Management Department should make relevant management reports regularly and submit to proper authorization level.</p> <p>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 the capital calculation method selected by a bank to generate relevant internal and external reports as the basis for management decision-making.</p>
4. Market risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	<p>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.</p>
5. Method used to provide the legal capital	Standardized Approach.

# Analysis of the Financial Status and Operating Results & Risk Management

## b. Market Risk Capital Requirement

December 31, 2012

In NT\$ thousand

Type of risk	Capital requirement
Interest rate risk	7,852
Equity securities risk	442,881
Foreign exchange risk	104,929
Product risk	0
Total	555,662

## 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, 2012

In NT\$ thousand

Item	Total	The amount of remaining period to maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Main capital inflow on maturity	351,438,091	48,861,012	72,426,399	15,978,962	21,982,257	48,479,282	143,710,179
Main capital outflow on maturity	418,077,679	20,270,374	32,656,056	37,072,989	41,111,671	87,531,111	199,435,478
Gap	-66,639,588	28,590,638	39,770,343	-21,094,027	-19,129,414	-39,051,829	-55,725,299

Note: The figures in above Table represent the 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, 2012

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	2,685,330	888,349	165,742	227,493	719,749	683,997
Main capital outflow on maturity	2,685,243	979,123	261,768	487,250	617,426	339,676
Gap	87	-90,774	-96,026	-259,757	102,323	344,321

Note: The figures in above Table represent the 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 and 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

## Analysis of the Financial Status and Operating Results & Risk Management

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:
- A. With the promulgation of the Foreign Account Tax Compliance Act (FATCA) by the US government, the Bank will need to devote a significant amount of manpower resources and time to identify, ascertain, making deductions and declare the accounts of any income recipient who is an US citizen irrespective of whether the government will enter into a treaty with the US government or whether the Bank will enter into an agreement with the parties concerned. At the same time, the information system must also be amended to meet those changes, thus resulting in increasing costs of operations. If the Bank chooses not to comply with the FATCA, any future income received by the Bank that is sourced in the US shall be subject to a 30% penalty tax rate. In light of the complexity of the FATCA regulations and the enforcement rules that relate to the Bank's major businesses including deposit, wealth management, trust and investments, the Bank will consult with a professional agency to receive the relevant consultation and guidance on this matter in order to reduce the potential impact of the FATCA on the Bank's operations.
  - B. With respect to the Personal Information Protection Act and its enforcement rules, the Bank will conduct education training on the new regulations concerning the duty to inform and the exercising of rights of the concerned party. In addition, the Bank will implement responsive measures such as retaining records of the concerned party being informed and accepting requests of the concerned party. The Bank will also keep a record of internal control manpower and costs of operations incurred as a result.
  - C. The Financial Consumer Protection Act is specifically enacted to protect the interests of financial consumers. The Financial Ombudsman Institution has been funded by the FSC to be solely responsible for handling financial consumer disputes. As a result, the risks of consumer complaints and compensatory payouts for disputed cases handled by the Financial

## Analysis of the Financial Status and Operating Results & Risk Management

Ombudsman Institution are expected to increase. In order to avoid this type of risks, the Bank will need to incur more manpower, expenditure and other associated costs to fulfill the associated obligations.

- D. The FSC made revisions to the “Regulations Governing the Capital Adequacy and Capital Category of Banks” and the “Explanation and Table of Computation of Banks’ Core Capital and Risk-Weighted Assets”, which shall come into effect on January 1, 2013, with reference to the “BASEL III: International Regulatory Framework for Banks” standards with the aim of improving the banking system’s ability to absorb shocks arising from financial and economic stress. The Bank is not required to take any responsive measure at this stage as the various ratios (common shareholders’ equity ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio) calculated in accordance with the new regulations are higher than the required minimum ratios for 2013, which are 3.5%, 4.5% and 8% respectively.
- (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 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/wealth management but also improve profits as well as provide comprehensive services to our customers. Effectively 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



## Analysis of the Financial Status and Operating Results & Risk Management

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 and 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: The Bank was founded with the mission for sustainable operation. We maintain the management concepts of “Enthusiasm”, “Stability”, “Efficiency” and “Innovation” to provide financial products and services that meet the needs of customers and to service the general public. The Bank employs professional managerial officers to manage the businesses and as such, the Bank’s business management will not change or be impacted significantly as a result of changes in management power. The Bank shall provide the relevant internal management information and enhance the transparency of information disclosure in the event of a change in management power in order to secure investor and consumer confidence.
- (9) The effect that large transfer in shares of director or supervisor, or shareholders holding more than ten percent of shares of the company, Possible Risk and Response Action:  
There has been no significant change in share ownership of the Bank’s shareholders, directors and supervisors. The Bank employs professional managerial officers to manage the Bank’s business. Therefore, the Bank’s operational management will not be impacted as a result of a significant change in share ownership. The Bank shall ensure information transparency in the event of a significant transfer or change in share ownership and files a declaration and makes public announcement with respect to the changes in accordance with the relevant banking regulations to secure investor and consumer confidence.
- (10) Legal Actions and Non-contentious Matters: None.
- (11) 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.

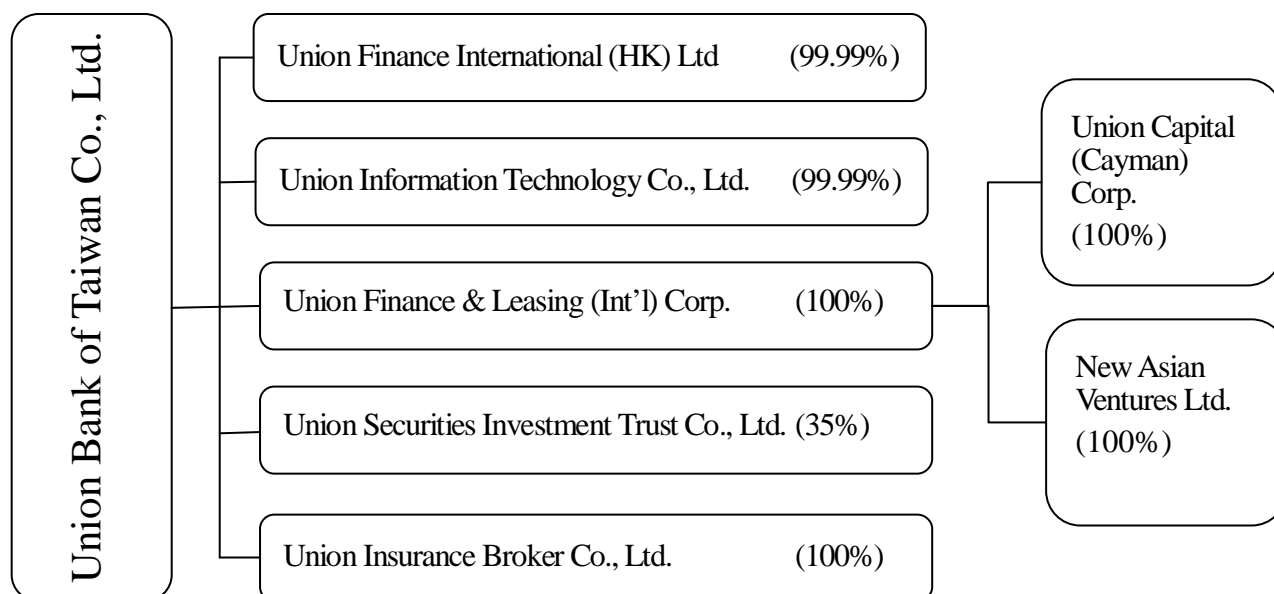
### **8. Other Important Matters: None**

## Affiliated and Special Notes

### 1. Information on Affiliated Enterprises

#### (1) Organization Chart

Shareholding(%)



Amount in NT\$ thousand

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) Co., Ltd.	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.	1,457	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, 2012

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: Angela Shen)	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: Terrence Lin)		
	President	Angela Shen		
Union Securities Investment Trust Co., Ltd.	Chairman	Kun-Che Investment Co., Ltd. (Representative: Ming-Hsing Ho)	5,399,667	17.99%
	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))		
	President	Lin-Yu Fan		
Union Finance & Leasing (International) Co., Ltd.	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		
Union Insurance Broker Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Chun-Hsien Chang)	500,000	100.00%
	Director	Union Bank of Taiwan (Representative: Terrence Lin)		
	Director	Union Bank of Taiwan (Representative: Sophie Hsu)		
	Supervisor	Union Bank of Taiwan Co., Ltd. (Representative: Kuo-Shian Shia)		
	President	Chun-Hsien Chang		
Union Capital (Cayman) Corp	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: 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. Note1	106,589	331,316	253,364	77,952	8,680	(8,873)	(8,873)	-
Union Information Technology Co., Ltd.	10,000	83,742	70,508	13,234	106,899	(5,768)	(1,140)	-
Union Finance & Leasing (International) Co., Ltd.	700,000	6,909,530	6,034,055	875,475	1,832,189	150,236	144,432	2.06

## 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	382,952	19,003	363,949	95,112	19,247	17,724	0.61
Union Insurance Broker Co., Ltd.	5,000	55,570	21,525	34,045	630,136	27,337	22,845	45.69
Union Capital (Cayman) Corp. <small>Note2</small>	1,457	478,762	20	478,742	0	(106)	6,637	133.00
New Asian Ventures Ltd. <small>Note2</small>	1	72,497	20	72,477	0	(84)	39	38.81

- (4) Consolidated financial statements of affiliated enterprises: please refer to Page 189 to Page 274.
- (5) Relationships between the business activities conducted by affiliated enterprises: please refer to Page 189 to Page 274.

**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 the past year and current year up to the printing date of the annual report, any event which has a material impact on shareholders' equity or securities prices pursuant to Article 36.2.2 of the Security and Exchange Law:**

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 Retained Earnings in NT dollars 507,984,000 (hereinafter the same), Other Shareholders' Equity in NT dollars 439,638,000 totally adjust and add Shareholders' Equity in NT dollars 947,622,000.

# Bank Directory

## Bank Directory

Branch Name	Address	Telephone
Head Office	3F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
International Banking Dept	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Trust Department	3F, No.137, Sec. 2, Nanjing E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2507-4066
Credit Card Group	5F, No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taipei City 105, Taiwan (R.O.C.)	(02)2545-5168
Offshore Banking Branch	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Business Department	No.105, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02)2556-8500
Taipei Branch	1F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Changchun Branch	No.328, Changchun Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2545-5588
Nanking East Road Branch	No.137, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2515-1333
East Taipei Branch	No.217, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2753-0900
Chunghsiao Branch	2F., No.5, Lane 223, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2773-3456
Jenai Branch	No.401, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2781-3366
Tungmen Branch	No.101, Sec. 2, Sinyi Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2358-2345
Hoping Branch	No.68-2, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2735-2828
Chungshan Mini Branch	No.83, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2571-7890
Kungkuan Branch	No.272, Sec. 3, Roosevelt Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2369-2678
Sungchiang Branch	No.228, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2561-6601
Breeze Center Mini Branch	2F., No.39, Sec. 1, Fusing S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)8772-2858
Tunhwa Branch	No.209-1, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)8773-3588
Taan Branch	No.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
Shihitung 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
JiSian Branch	No.329, Wuhua St., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	(02)-2855-9996
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

## Bank Directory

Branch Name	Address	Telephone
Tucheng Branch	No.3, Chengtian Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2268-1799
Taoyuan Branch	No.332, Sianfu Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)339-5300
North Taoyuan Branch	No.191, Yong-an Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)339-6262
South Taoyuan Branch	Building A, No.1308, Zhongshan Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)369-7388
Taoying Branch	No.343, Taoying Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)377-9797
Daye Branch	No.388, Sec. 1, Daye Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)357-7388
Chungli Branch	No.62, Sec. 1, Jhongyang W. Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)426-5111
North Chungli Branch	No.222, Yuanhua Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)426-1133
Neili Branch	No. 258, Sec. 1, Jhonghua Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)435-1288
Chenshin Branch	No.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

## Bank Directory

Branch Name	Address	Telephone
Singchung Branch	No.406, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan (R.O.C.)	(04)2261-4040
Fongyuan Branch	No.102, Fucian St., Fongyuan 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, 2012 and 2011 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, 2012 and 2011, 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.

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 provide a reasonable basis for our opinion.

As stated in Notes 15 and 26 to the financial statements, the Bank sold a part of its nonperforming loans to an asset management company in 2006, and the Bank deferred related losses, amortizable over 60 months, as required by the Financial Institution Consolidation Law. Had these losses not been deferred, there would have been an increase of NT\$965,261 thousand in 2011 in pretax income.

In our opinion, 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, 2012 and 2011, 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, 2012 and 2011, on which we have issued an unqualified opinion and a qualified opinion in our reports dated March 20, 2013, respectively.

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 20, 2013

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, 2012 AND 2011**  
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY		2011		% Increase (Decrease)
	Amount	Amount	Amount	Amount		Amount	Amount	Amount	Amount	
CASH AND CASH EQUIVALENTS (Note 4)	\$ 9,570,257	\$ 8,390,592	\$ 8,390,592	\$ 7,007,256	14	\$ 5,115,437	\$ 7,007,256	\$ 7,007,256	(27)	
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 26)	75,378,914	101,781,769	101,781,769	33,852	(26)	27,417	33,852	33,852	(19)	
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 30)	8,094,894	8,167,543	8,167,543	5,847,302	(1)	6,270,703	5,847,302	5,847,302	7	
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 28)	21,764,953	251,626	251,626	322,756,910	8,550	337,999,136	322,756,910	322,756,910	5	
RECEIVABLES, NET (Notes 2, 7, 8 and 26)	14,124,123	15,086,661	15,086,661	4,890,000	(6)	398,965	4,890,000	4,890,000	6	
DISCOUNTS AND LOANS, NET (Notes 2, 8, 26 and 30)	201,833,438	190,679,993	190,679,993	337,852	(6)	501,876	337,852	337,852	18	
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 9, 26 and 30)	10,237,156	7,516,896	7,516,896	365,444	36	383,202,883	365,444	365,444	37	
HELD-TO-MATURITY INVESTMENTS (Notes 2, 10 and 30)	8,187,222	1,313,015	1,313,015	375,760,789	(38)	20,060,202	375,760,789	375,760,789	2	
INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Notes 2 and 11)	1,182,415	1,114,794	1,114,794	16,459,908	6	204,194	16,459,908	16,459,908	22	
OTHER FINANCIAL ASSETS, NET (Notes 2, 12, 13, 26, 27 and 30)	448,378	450,451	450,451	3,025,088	-	20,264,396	3,025,088	3,025,088	(93)	
Financial assets carried at cost	43,871,572	44,723,018	44,723,018	19,484,996	(2)	4,130,796	19,484,996	19,484,996	4	
No active market debt instruments	7,071,901	4,457,747	4,457,747	1,398	59	1,398	1,398	1,398	-	
Others	51,391,851	49,631,216	49,631,216	32,413	4	33,811	32,413	32,413	-	
Other financial assets, net	3,436,297	3,530,860	3,530,860	608,209	(3)	900,963	608,209	608,209	155	
PROPERTY AND EQUIPMENT (Notes 2, 14, 26 and 28)	5,041,069	5,048,139	5,048,139	874,473	(3)	413,490	874,473	874,473	(30)	
Cost	1,337,753	1,368,261	1,368,261	1,826,615	(2)	2,621,624	1,826,615	1,826,615	44	
Land	264,359	262,815	262,815	3,054,066	1	4,130,796	3,054,066	3,054,066	35	
Machinery and equipment	371,165	346,487	346,487	(167,173)	7	900,963	352,978	352,978	155	
Transportation equipment	10,450,645	10,556,562	10,556,562	(263,522)	(1)	413,490	352,978	352,978	347	
Leasehold improvements	2,737,641	2,612,672	2,612,672	(177,515)	5	(564,137)	(263,522)	(263,522)	114	
Less: Accumulated depreciation	7,713,002	7,943,890	7,943,890	(177,515)	(3)	(355,598)	(177,515)	(177,515)	15	
Prepayments for equipment	-	12,811	12,811	(608,210)	(100)	24,073,405	(608,210)	(608,210)	(42)	
Net property and equipment	7,713,002	7,956,701	7,956,701	21,964,663	(3)	24,073,405	21,964,663	21,964,663	10	
GOODWILL (Notes 2 and 16)	1,985,307	2,119,709	2,119,709	-	(6)	-	-	-	-	
OTHER ASSETS (Notes 2, 15 and 24)	3,188,106	3,714,937	3,714,937	-	(14)	-	-	-	-	
TOTAL	\$ 407,276,288	\$ 397,725,452	\$ 397,725,452	\$ 397,725,452	2	\$ 407,276,288	\$ 397,725,452	\$ 397,725,452	2	

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

(With Deloitte & Touche audit report dated March 20, 2013)

# UNION BANK OF TAIWAN

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	<u>2012</u>	<u>2011</u>	
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 26)	\$ 9,117,046	\$ 9,546,475	(4)
INTEREST EXPENSE (Note 26)	<u>3,405,966</u>	<u>2,884,122</u>	18
NET INTEREST	<u>5,711,080</u>	<u>6,662,353</u>	(14)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues (Notes 2 and 26)	1,776,883	1,796,137	(1)
Commissions and fee expenses (Note 2)	<u>388,906</u>	<u>427,296</u>	(9)
Net commissions and fees	1,387,977	1,368,841	1
Gain on financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	523,656	20,137	2,500
Realized gain on available-for-sale financial assets (Note 2)	(87,540)	60,147	(246)
Investment income recognized under the equity method, net (Notes 2 and 11)	162,717	90,714	79
Foreign exchange gain (loss), net (Note 2)	(267,240)	238,789	(212)
Impairment losses, net (Notes 2, 15 and 16)	(174,402)	(291,916)	(40)
Gain on unquoted equity investments (Note 2)	51,204	29,757	72
Gain on investments with no active market	-	18,858	(100)
Gain on disposal of collaterals assumed, net	28,849	712	3,952
Securities brokerage fee revenues, net (Note 26)	54,530	69,975	(22)
Amortization of loss on disposal of nonperforming loans (Note 15)	-	(965,261)	100
Other noninterest net revenues (expenses) (Note 26)	<u>38,782</u>	<u>3,786</u>	924
Total net revenues other than interest	<u>1,718,533</u>	<u>644,539</u>	167
Total net revenues	<u>7,429,613</u>	<u>7,306,892</u>	2
PROVISION (Note 8)			
Provision (reversal) of allowance for doubtful accounts	<u>(647,490)</u>	<u>121,500</u>	(633)
OPERATING EXPENSES			
Personnel expenses (Notes 2, 21 and 23)	2,425,680	2,346,886	3
Depreciation and amortization (Notes 2 and 23)	259,551	301,954	(14)
Others (Note 26)	<u>2,351,676</u>	<u>2,315,172</u>	2
Total operating expenses	<u>5,036,907</u>	<u>4,964,012</u>	1
INCOME BEFORE INCOME TAX	3,040,196	2,221,380	37
INCOME TAX EXPENSE (Notes 2 and 24)	<u>426,615</u>	<u>394,765</u>	8
NET INCOME	<u>\$ 2,613,581</u>	<u>\$ 1,826,615</u>	43

(Continued)

# UNION BANK OF TAIWAN

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
Basic	<u>\$ 1.66</u>	<u>\$ 1.41</u>	<u>\$ 1.18</u>	<u>\$ 0.95</u>
Diluted	<u>\$ 1.50</u>	<u>\$ 1.29</u>	<u>\$ 1.10</u>	<u>\$ 0.90</u>

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

(With Deloitte & Touche audit report dated March 20, 2013)

(Concluded)

**UNION BANK OF TAIWAN**

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(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			
	(in Thousands)	Amount	(in Thousands)	Amount	Donated Capital	Treasury Stock	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 (Notes 2 and 21)	
BALANCE, JANUARY 1, 2011	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 the 2010 earnings	-	-	-	-	-	-	-	352,978	-	(352,978)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	823,616	-	(823,616)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	1,826,615	1,826,615	-	-	-	-	1,826,615
Net income in 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(299,774)
Change in unrealized loss on available-for-sale finance assets	-	-	-	-	-	-	-	-	-	-	(299,774)	-	-	-	-	(299,774)
Change in recognition of equity-method investments	-	-	-	-	-	-	-	-	-	-	(22,523)	-	-	-	-	573
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,238)	-	(62,238)
Special reserve for default and securities trading losses	-	-	-	-	-	-	-	-	50,857	-	-	-	-	-	-	50,857
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	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
Appropriation of the 2011 earnings	-	-	-	-	-	-	-	547,985	-	(547,985)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	266,264	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(266,264)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(757,451)	-	-	-	-	(757,451)
Stock dividends	77,940	779,400	-	-	-	-	-	-	-	-	(779,400)	-	-	-	-	-
Net income in 2012	-	-	-	-	-	-	-	-	-	2,613,581	2,613,581	-	-	-	-	2,613,581
Conversion of preferred stock	282,089	2,820,894	(282,089)	(2,820,894)	-	-	-	-	-	-	-	-	-	-	-	-
Change in unrealized loss on available-for-sale finance assets	-	-	-	-	-	-	-	-	-	-	-	567,745	-	-	-	567,745
Change in recognition of equity-method investments	-	-	-	-	-	-	-	-	-	-	-	12,918	-	-	-	12,918
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,436)	-	(27,436)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(300,615)	-	-	(300,615)
BALANCE, DECEMBER 31, 2012	2,006,020	\$ 20,060,202	20,420	\$ 204,194	\$ 1,398	\$ 32,413	\$ 33,811	\$ 900,963	\$ 608,209	\$ 2,621,624	\$ 4,130,796	\$ 413,490	\$ (564,137)	\$ (204,951)	\$ (355,598)	\$ 24,073,405

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated March 20, 2013)

# UNION BANK OF TAIWAN

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,613,581	\$ 1,826,615
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	259,551	301,954
Provision (reversal) of allowance for doubtful accounts	(647,490)	122,734
Amortization of premium on available-for-sale financial assets	21,791	38,575
Amortization of premium on held-to-maturity investments	6,092	18,815
Amortization of discount on no-active market debt instruments	(192,843)	(316,053)
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	(20,623)	72,865
Realized loss (gain) on sale of available-for-sale financial assets	123,842	(19,847)
Investment income recognized under the equity method, net	(162,717)	(90,714)
Cash dividends received from equity-method investees	82,363	25,611
Gain on sale of financial assets carried at cost	(109)	-
Gain on sale of debt instruments with no active market	-	(18,858)
Impairment losses on assets, net	174,402	291,916
Amortization of loss from disposal of nonperforming loans	-	965,261
Gain on disposal of collaterals assumed, net	(28,849)	(712)
Loss (gain) on disposal of property and equipment, net	18,290	(674)
Loss on the obsolescence of property and equipment	849	810
Deferred income taxes	366,072	223,403
Changes in operating assets and liabilities		
Held-for-trading financial assets	129,476	(2,572,520)
Receivables	1,527,635	1,621,777
Held for trading financial liabilities	(3,968)	3,942
Payables	423,401	2,008,406
Accrued pension cost	(1)	(1,056)
Net cash provided by operating activities	<u>4,690,745</u>	<u>4,502,250</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from the Central Bank and other banks	26,402,855	(40,457,492)
Increase in financial assets designated as at fair value through profit or loss	(38,671)	(2,671,739)
Increase in securities purchased under resell agreements	(21,513,327)	(212,126)
Increase in discounts and loans	(10,982,052)	(1,048,064)
Proceeds of the disposal of available-for-sale financial assets	16,615,128	3,496,832
Capital return on available-for-sale financial assets	740,000	983,000
Acquisition of available-for-sale financial assets	(19,653,276)	(6,085,181)
Capital return on held-to-maturity investments	544,917	2,005,929
Acquisition of held-to-maturity investments	(50,166)	(52,125)
Proceeds of the disposal of no active market debt instruments	-	4,309,903
Proceeds of the disposal of financial assets carried at cost	183	-
Proceeds of the capital reduction of investees	1,999	2,130

(Continued)



# UNION BANK OF TAIWAN

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Principal received on debt instruments with no active market	\$ 31,712,618	\$ 18,181,193
Acquisition of debt instruments with no active market	(30,668,329)	(16,000,380)
Decrease (increase) in other financial assets	(2,613,854)	1,334,936
Acquisition of property and equipment	(59,758)	(87,915)
Proceeds of the disposal of property and equipment	89,456	785
Proceeds of the disposal of collaterals assumed	186,192	215,683
Increase in other assets	<u>(39,701)</u>	<u>(60,558)</u>
Net cash used in investing activities	<u>(9,325,786)</u>	<u>(36,145,189)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in call loans and due to banks	(1,891,819)	(3,280,090)
Increase (decrease) in securities sold under repurchase agreements	(6,232,824)	925,247
Increase in deposits and remittances	14,642,226	33,151,056
Increase in other financial liabilities	61,113	19,825
Increase (decrease) in other liabilities	19,997	(28,429)
Issuance of bank debentures	1,500,000	2,000,000
Decrease in bank debentures	(1,190,000)	(2,000,000)
Cash dividends	<u>(757,451)</u>	<u>-</u>
Net cash provided by financing activities	<u>6,151,242</u>	<u>30,787,609</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(336,536)</u>	<u>301,644</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,179,665	(553,686)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,390,592</u>	<u>8,944,278</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,570,257</u>	<u>\$ 8,390,592</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 3,463,568</u>	<u>\$ 2,800,638</u>
Income tax paid	<u>\$ 218,643</u>	<u>\$ 191,962</u>

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

(With Deloitte & Touche audit report dated March 20, 2013)

(Concluded)

# UNION BANK OF TAIWAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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### 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.

As of December 31, 2012, 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 88 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, 2012 and 2011, the Bank had 3,207 and 3,111 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: Short-term bills - at prices quoted by Reuters; 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.

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 Doubtful Accounts and for Losses on Guarantees**

In determining the allowances for doubtful accounts 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 doubtful accounts 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 doubtful accounts 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 doubtful accounts.

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 and Securities Trading 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.



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."

### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 4,492,417	\$ 3,730,621
Checks for clearing	4,028,087	3,635,427
Due from banks	<u>1,049,753</u>	<u>1,024,544</u>
	<u>\$ 9,570,257</u>	<u>\$ 8,390,592</u>

### 5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Due from the Central Bank		
Deposit reserve - checking account	\$ 4,448,931	\$ 7,343,378
Required deposit reserve	8,786,279	8,408,101
Deposit reserve - foreign-currency deposits	43,704	30,290
Deposit account in Central Bank	<u>62,100,000</u>	<u>86,000,000</u>
	<u>\$ 75,378,914</u>	<u>\$ 101,781,769</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>	
	<u>2012</u>	<u>2011</u>
<u>Financial assets held for trading</u>		
Commercial paper	\$ 5,138,492	\$ 3,575,646
Government bonds	51,190	51,983
Domestic quoted stocks	7,984	98,257
Corporate bonds	-	50,735

(Continued)

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Negotiable certificates of deposit	\$ -	\$ 1,512,400
Forward exchange contracts	67,305	110,757
Currency swap contracts	7,646	8,033
Option contracts	<u>908</u>	<u>997</u>
	<u>5,273,525</u>	<u>5,408,808</u>
<b><u>Financial assets designated as at fair value through profit or loss</u></b>		
Corporate bonds	<u>2,821,369</u>	<u>2,758,735</u>
	<u>\$ 8,094,894</u>	<u>\$ 8,167,543</u>
<b><u>Financial liabilities held for trading</u></b>		
Forward exchange contracts	\$ 25,890	\$ 32,292
Option contracts	908	997
Currency swap contracts	<u>619</u>	<u>563</u>
	<u>\$ 27,417</u>	<u>\$ 33,852</u>
		(Concluded)

The Bank engaged in derivative transactions in 2012 and 2011 mainly to accommodate customers' needs and manage its exposure positions. The financial risk management objective 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, 2012 and 2011 were as follows:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Currency swap contracts	\$ 17,637,175	\$ 15,762,905
Forward exchange contracts	4,844,779	9,271,383
Option contracts		
Buy	560,277	503,266
Sell	560,277	503,266

The gains or losses on financial assets and liabilities at fair value through profit or loss in 2012 and 2011 were as follows:

	<b>2012</b>	<b>2011</b>
Net gain on financial assets at fair value through profit or loss	\$ 33,735	\$ 123,034
Net gain (loss) on financial liabilities at fair value through profit or loss	<u>489,921</u>	<u>(102,897)</u>
Gain, net	<u>\$ 523,656</u>	<u>\$ 20,137</u>
Realized gain	\$ 503,033	\$ 93,002
Unrealized gain (loss)	<u>20,623</u>	<u>(72,865)</u>
Gain, net	<u>\$ 523,656</u>	<u>\$ 20,137</u>

The financial instruments at fair value through profit or loss amounting to \$4,562,768 thousand and \$3,677,469 thousand as of December 31, 2012 and 2011, respectively, had been sold under repurchase agreements.

## 7. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 12,113,187	\$ 13,480,088
Asset-backed commercial paper	599,283	1,561,672
Interest receivable	581,758	605,686
Interbank clearing fund receivable	500,700	300,685
Acceptances receivable	142,674	106,760
Income tax refund receivable	100,493	145,259
Collection receivable	69,127	64,244
Receivable on disposal of property and equipment	-	138,783
Others	<u>188,995</u>	<u>15,062</u>
	14,296,217	16,418,239
Less: Allowance for doubtful accounts	<u>172,094</u>	<u>1,331,578</u>
	<u>\$ 14,124,123</u>	<u>\$ 15,086,661</u>

## 8. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Discounts and overdraft	\$ 73,213	\$ 87,178
Accounts receivable - financing	58,594	99,528
Loans		
Short-term - unsecured	16,717,632	15,163,198
- secured	38,572,309	35,873,027
Medium-term - unsecured	11,337,976	8,511,019
- secured	29,309,204	27,165,831
Long-term - unsecured	5,620,513	5,964,654
- secured	101,959,901	99,023,101
Import and export negotiations	38,132	117,814
Overdue loans	<u>371,879</u>	<u>601,434</u>
	204,059,353	192,606,784
Less: Allowance for doubtful accounts	<u>2,225,915</u>	<u>1,926,791</u>
	<u>\$ 201,833,438</u>	<u>\$ 190,679,993</u>

As of December 31, 2012 and 2011, the balances of nonaccrual loans were \$371,879 thousand and \$601,434 thousand, respectively. The unrecognized interest revenues on nonperforming loans were \$5,661 thousand in 2012 and \$13,334 thousand in 2011.

In 2012 and 2011, 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, 2012	December 31, 2012
With objective evidence of impairment	Assessed individual impairment	\$ 2,634,534	\$ 237,867
	Assessed collective impairment	493,839	119,960
With no objective evidence of impairment	Assessed collective impairment	201,396,518	1,868,088

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 \$280,698 thousand and acceptances receivable amounting to \$142,674 thousand, guarantee payments receivable of \$39,947 thousand and bills of exchange negotiated of \$2,219 thousand.

### Receivables

Items		Gross Receivables	Allowance for Possible Losses
		December 31, 2012	December 31, 2012
With objective evidence of impairment	Assessed individual impairment	\$ 1,563,932	\$ 16,553
	Assessed collective impairment	2,283,054	131,326
With no objective evidence of impairment	Assessed collective impairment	9,611,146	24,215

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 \$280,698 thousand, acceptances receivable amounting to \$142,674 thousand, refundable income tax of \$100,493 thousand, interest receivable of \$215,752 thousand on financial assets and liabilities, non-delivery receivable of \$49,944 thousand, guarantee payments receivable of \$39,947 thousand, option payments receivable of \$7,709 and others amounting to \$868 thousand.

### 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	\$ 141,133
	Assessed collective impairment	639,371	179,015
With no objective evidence of impairment	Assessed collective impairment	189,273,888	1,606,643

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.

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

	2012	2011
Balance, beginning of year	\$ 3,258,369	\$ 3,149,862
Provision (reversal)	(736,490)	121,500
Write-off	(1,174,681)	(1,013,709)
Recovery of written-off credits	1,040,524	1,009,770
Reclassifications	11,122	(9,857)
Effects of exchange rates changes	(835)	803
Balance, end of year	<u>\$ 2,398,009</u>	<u>\$ 3,258,369</u>

### 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2012	2011
Corporate bonds	\$ 4,331,243	\$ 2,393,246
Government bonds	2,151,382	2,707,520
Mutual funds	1,336,890	904,568
Overseas quoted stocks	1,032,966	742,383
Commercial paper	797,499	-
Domestic quoted stocks	<u>587,176</u>	<u>769,179</u>
	<u>\$ 10,237,156</u>	<u>\$ 7,516,896</u>

The available-for-sale financial assets amounting to \$3,665,224 thousand and \$4,254,626 thousand as of December 31, 2012 and 2011, respectively, had been sold under repurchase agreements.

## 10. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Government bonds	\$ 556,316	\$ 664,350
Corporate bonds	199,980	399,871
Asset-based securities	<u>55,576</u>	<u>248,794</u>
	<u>\$ 811,872</u>	<u>\$ 1,313,015</u>

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

## 11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>December 31</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Holding Ratio (%)</u>	<u>Amount</u>	<u>Holding Ratio (%)</u>
Union Finance and Leasing International Corporation	\$ 875,475	100.00	\$ 806,789	100.00
Union Security Investment Trust Corporation	127,382	35.00	121,178	35.00
Union Finance International (H.K.) Limited	77,952	99.99	80,941	99.99
Union Real-Estate Management Corporation	54,490	40.00	66,721	40.00
Union Insurance Broker Company	33,884	100.00	24,793	100.00
Union Information Technology Corporation	<u>13,232</u>	99.99	<u>14,372</u>	99.99
	<u>\$ 1,182,415</u>		<u>\$ 1,114,794</u>	

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

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Union Finance and Leasing International Corporation	\$ 144,432	\$ 62,941
Union Security Investment Trust Corporation	6,204	5,033
Union Finance International (H.K.) Limited	(8,873)	2,566
Union Real-Estate Management Corporation	(823)	12,676
Union Insurance Broker Company	22,917	15,969
Union Information Technology Corporation	<u>(1,140)</u>	<u>(8,471)</u>
	<u>\$ 162,717</u>	<u>\$ 90,714</u>

On the available-for-sale financial assets held by the Bank's subsidiaries, the unrealized gain of \$12,918 thousand in 2012 and the unrealized loss of \$22,523 thousand in 2011 were included in stockholders' equity.

## 12. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
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>108,346</u>	<u>110,419</u>
	<u>\$ 448,378</u>	<u>\$ 450,451</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>	
	<b>2012</b>	<b>2011</b>
Asset-based securities	<u>\$ 43,871,572</u>	<u>\$ 44,723,018</u>

The no-active market debt instruments amounting to \$28,334,744 thousand and \$37,547,378 thousand as of December 31, 2012 and 2011, respectively, had been sold under repurchase agreements.

## 14. PROPERTY AND EQUIPMENT

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Cost	<u>\$ 10,450,643</u>	<u>\$ 10,556,562</u>
Less: Accumulated depreciation		
Buildings	953,995	848,000
Machinery and equipment	1,236,472	1,247,404
Transportation equipment	235,678	229,498
Leasehold improvements	<u>311,496</u>	<u>287,770</u>
	<u>2,737,641</u>	<u>2,612,672</u>
Prepayments for equipment	<u>-</u>	<u>12,811</u>
Net property and equipment	<u>\$ 7,713,002</u>	<u>\$ 7,956,701</u>

## 15. OTHER ASSETS

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Deferred tax assets, net (Note 24)	\$ 2,841,035	\$ 3,145,535
Prepayments	147,790	132,119
Collaterals assumed, net	100,608	297,951
Deferred charges	97,431	138,523
Other	<u>1,242</u>	<u>809</u>
	<u>\$ 3,188,106</u>	<u>\$ 3,714,937</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. As of December 31, 2011, the total deferred loss on nonperforming loans had been amortized. Had the losses not been deferred, the pretax income would have increased by \$965,261 thousand in 2011.

As of December 31, 2011, the remaining payments of \$138,783 thousand on the above transaction had not been received from MSUB. As of December 31, 2012, the remaining payments had been received.

After evaluating the net fair value of the collaterals assumed, the Bank recognized impairment losses of \$40,000 thousand in 2012 and \$37,140 thousand in 2011.

## 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 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 \$134,402 thousand in 2012 and \$254,776 thousand in 2011. As of December 31, 2012 and 2011, the balances of accumulated impairment were \$902,691 thousand and \$768,289 thousand, respectively.

## 17. CALL LOANS AND DUE TO OTHER BANKS

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Due to Chunghwa Post Co., Ltd.	\$ 4,817,779	\$ 6,972,990
Call loans from banks	262,224	-
Overdraft	24,272	10,774
Due to the Central Bank and other banks	<u>11,162</u>	<u>23,492</u>
	<u>\$ 5,115,437</u>	<u>\$ 7,007,256</u>

## 18. PAYABLES

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Notes and checks in clearing	\$ 4,028,087	\$ 3,635,427
Interest payable	712,664	813,803
Accrued expenses	401,203	477,025
Collection payable	176,140	154,184
Bank acceptances payable	142,876	108,719
Accounts payable on wire transfers received	117,878	67,440
Provision for payment to the Bank's check	100,685	67,929
Domestic fund payable	85,774	1,120
Accounts payable	49,941	-
Dishonored accounts payable	43,770	44,578
Tax payable	43,726	163,344
Others	<u>367,959</u>	<u>313,733</u>
	<u>\$ 6,270,703</u>	<u>\$ 5,847,302</u>

## 19. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Savings deposits	\$ 224,501,376	\$ 213,217,552
Time deposits	60,572,834	61,012,350
Demand deposits	46,814,381	43,028,473
Checking deposits	4,591,171	4,356,838
Negotiable certificates of deposit	787,900	1,033,900
Inward and outward remittances	<u>131,474</u>	<u>107,797</u>
	<u>\$ 337,399,136</u>	<u>\$ 322,756,910</u>

## 20. BANK DEBENTURES

	<u>December 31</u>		<b>Term</b>
	<b>2012</b>	<b>2011</b>	
First subordinated bank debentures issued in 2006 - class A	\$ -	\$ 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	2,000,000	Fixed interest rate of 2.78%; maturity: June 2018
First subordinated bank debentures issued in 2012	1,500,000	-	Fixed interest rate of 2.32%; maturity: March 2019
	<u>\$ 5,200,000</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 \$90,991 thousand in 2012 and \$88,298 thousand in 2011.

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 \$53,709 thousand in 2012 and \$43,628 thousand in 2011.

Information on the defined benefit plan is as follows:

### a. Components of net periodic pension cost

	<u>Year Ended December 31</u>	
	<b>2012</b>	<b>2011</b>
Service cost	\$ 19,153	\$ 19,011
Interest cost	22,711	22,441
Projected return on plan assets	(11,748)	(10,697)
Amortization		
Prior service cost	(511)	(519)
Loss of pension cost	24,104	16,865
Curtailment or settlement gain	<u>-</u>	<u>(3,473)</u>
Net periodic pension cost	<u>\$ 53,709</u>	<u>\$ 43,628</u>

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

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Benefit obligation		
Vested benefit obligation	\$ (161,020)	\$ (126,789)
Non-vested benefit obligation	<u>(673,033)</u>	<u>(623,080)</u>
Accumulated benefit obligation	(834,053)	(749,869)
Additional benefits based on future salaries	<u>(420,107)</u>	<u>(390,111)</u>
Projected benefit obligation	(1,254,160)	(1,139,980)
Fair value of plan assets	<u>623,900</u>	<u>567,150</u>
Funded status	(630,260)	(572,830)
Unrealized net prior service cost	(3,833)	(4,344)
Unrecognized net loss	628,890	571,970
Additional liability	<u>(204,951)</u>	<u>(177,515)</u>
Accrued pension cost (included in other liabilities)	<u>\$ (210,154)</u>	<u>\$ (182,719)</u>
Vested benefits	<u>\$ (175,724)</u>	<u>\$ (140,119)</u>

- c. Actuarial assumptions as of December 31, 2012 and 2011

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Discount rate used in determining present values	1.75%	2.00%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	1.75%	2.00%
	<u>Year Ended December 31</u>	
	<b>2012</b>	<b>2011</b>
d. Contributions to the fund	<u>\$ 53,710</u>	<u>\$ 44,038</u>
e. Payments from the fund	<u>\$ (5,915)</u>	<u>\$ (16,410)</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 stock after six years from the issuance date at the price of the issuance amount plus unpaid accumulated dividends.

On December 19, 2012, the board of directors approved the conversion of 282,089 thousand shares of preferred private-placement shares into private-placement common stock. The conversion amount was \$2,820,894 thousand and the record date for conversion was December 31, 2012. After the conversion, the preferred stock decreased from \$3,025,088 thousand to \$204,194 thousand, and the amount of common shares increased from \$17,239,308 thousand to \$20,060,202 thousand.

- b. Capital surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, this capital surplus may be distributed in cash or capitalized within a certain percentage of the Bank's paid-in capital.

The capital surplus from long-term investments, employee stock options and conversion options 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) Together with prior year's unappropriated earnings: Dividends;
- 4) The remainder:
  - a) Retained earnings, as deemed proper;
  - b) Employees' bonus of at least 10% (excluding prior year's unappropriated earnings);
  - c) The remainder: 0.5% as remuneration to directors and supervisors (excluding prior year's unappropriated earnings) and bonus to stockholders as approved by the stockholders.

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 principle, when the Bank of International Settlement ratio is lower than the ratio approved by the authorities plus 1%, primarily stock dividends will be declared. If the legal reserve has not reached the Bank's paid-in capital, cash dividends are limited to 15% of the Bank's paid-in capital. The plan on employees' bonus and remuneration to directors and supervisors is proposed by the board of directors.

For 2012, the bonus to employees was estimated at \$44,485 thousand and the remuneration to directors and supervisors was estimated at \$2,224 thousand. The bonus to employees and remuneration to directors and supervisors represented 10% and 0.5%, respectively, of net income (net of the bonus and remuneration). Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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 of earnings for 2011 and 2010 that were approved in the stockholders' meetings on June 22, 2012 and June 9, 2011, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2011</b>	<b>For Year 2010</b>	<b>For Year 2011</b>	<b>For Year 2010</b>
Legal reserve	\$ 547,985	\$ 352,978		
Special reserve	(266,264)	823,616		
Cash dividends on preferred shares	757,451	-	\$ 0.6	\$ -
Stock dividends on common shares	658,396	-	0.4	-
Stock dividends on preferred shares	121,004	-	0.4	-

The appropriations of the 2012 earnings were proposed by the board of directors on March 20, 2013. The appropriations, including the dividends per share, were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 784,074	
Special reserve	(201,754)	
Cash dividends on preferred shares	181,042	\$ 0.60
Stock dividends on common shares	1,839,520	0.917
Stock dividends on preferred shares	18,725	0.917

The 2012 appropriations of earnings, bonus to employees and remuneration to directors and supervisors will be presented to the stockholders in their meeting on June 14, 2013.

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

Appropriation of earnings to legal reserve should be made until the legal reserve equals the Bank's paid-in capital. This reserve may be used to offset a deficit. If the Bank has no deficit and 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 2010, 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

	2012	2011
Personnel expenses		
Salaries and wages	\$ 1,661,448	\$ 1,568,821
Bonus and rewards	414,765	453,740
Labor insurance and national health insurance	185,477	175,387
Pension	144,700	131,926
Other	<u>19,290</u>	<u>17,012</u>
	<u>\$ 2,425,680</u>	<u>\$ 2,346,886</u>
Depreciation	<u>\$ 192,156</u>	<u>\$ 219,776</u>
Amortization	<u>\$ 67,395</u>	<u>\$ 82,178</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>	
	2012	2011
Income tax expense at the statutory rate	\$ 516,833	\$ 377,635
Tax effect of adjusting items:		
Permanent differences		
Tax-exempt income	(89,125)	(340,028)
Others	(33,988)	(8,774)
Temporary differences	42,145	65,296
Loss carryforwards used	(435,865)	(94,129)
Additional income tax under the Alternative Minimum Tax Act	<u>58,822</u>	<u>191,030</u>
Current income tax expense	58,822	191,030
Deferred income tax expense		
Temporary differences	(50,128)	(44,520)
Investment tax credits	-	6,424
Loss carryforwards produced	436,298	142,124
Other adjustment in valuation allowance	(20,098)	119,375
Adjustments for prior years' tax	<u>1,721</u>	<u>(19,668)</u>
	<u>\$ 426,615</u>	<u>\$ 394,765</u>

Deferred income tax assets (liabilities) were as follows:

	<u>December 31</u>	
	2012	2011
Loss carryforwards	\$ 2,867,403	\$ 3,303,701
Investment tax credit	1,200	3,082
Reserve for default	-	452
Unrealized loss on collaterals assumed	22,717	15,917
Impairment loss on financial assets	164,105	164,105
Allowance for doubtful accounts	201,417	201,575

(Continued)

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Unrealized valuation gain on derivative instruments	\$ (7,264)	\$ (13,285)
Investment loss under the equity method	2,238	729
Amortization of goodwill	(325,855)	(344,266)
Unrealized exchange gains or losses	8,078	(6,771)
Accrued pension cost	(1,261)	(1,261)
Allowance for losses on guarantees	3,148	-
Cumulative translation adjustments	<u>115,546</u>	<u>53,974</u>
	3,051,472	3,377,952
Less: Allowance for valuation of deferred income tax assets	<u>210,437</u>	<u>232,417</u>
Net deferred income tax assets (included in other assets)	<u>\$ 2,841,035</u>	<u>\$ 3,145,535</u> (Concluded)

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

As of December 31, 2012, investment tax credits comprised the following:

<b>Laws and Statutes</b>	<b>Tax Credit Source</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Personnel training	<u>\$ 1,200</u>	<u>\$ 1,200</u>	2013

Loss carryforwards as of December 31, 2012 comprised the following:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 2,054,611	2016
7,360,995	2017
3,598,322	2018
3,654,973	2019
<u>198,174</u>	2020
<u>\$ 16,867,075</u>	

The Bank's income tax returns through 2008 had been examined and cleared by the tax authorities.

As of December 31, 2012 and 2011, the balances of the imputation credits allocable to the stockholders were \$300,853 thousand and \$386,199 thousand, respectively.

The creditable ratios for the distribution of earnings of 2012 and 2011 were 11.47% (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 2012 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:

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earnings Per Share (NT\$)	
	Pretax	After Tax		Pretax	After Tax
<u>2012</u>					
Basic EPS	\$ 3,040,196	\$ 2,613,581			
Less: Preferred dividends	<u>(181,043)</u>	<u>(181,043)</u>			
Basic EPS					
Income for the year attributable to common stockholders	2,859,153	2,432,538	1,724,702	<u>\$ 1.66</u>	<u>\$ 1.41</u>
Effect of potential dilutive convertible preferred stock	181,043	181,043	301,738		
Bonus to employees	<u>-</u>	<u>-</u>	<u>4,422</u>		
Diluted EPS	<u>\$ 3,040,196</u>	<u>\$ 2,613,581</u>	<u>2,030,862</u>	<u>\$ 1.50</u>	<u>\$ 1.29</u>
<u>2011</u>					
Basic EPS	\$ 2,221,380	\$ 1,826,615	1,723,931		
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>\$ 1.18</u>	<u>\$ 0.95</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>2,026,440</u>	<u>\$ 1.10</u>	<u>\$ 0.90</u>

The ARDF issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Bank may settle the bonus to employees by cash or shares, the Bank should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses distributed out of earnings for the year ended December 31, 2011 and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2011 to decrease from NT\$1.00 to NT\$0.94 and from NT\$0.96 to NT\$0.90, respectively.

## 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 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
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
Others	Directors, supervisors, managers, and their relatives and affiliates.

b. Significant transactions with related parties:

1) Loans

December 31, 2012

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2012	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	1	\$ 450	\$ 450	\$ 450	\$ -	-	None
Self-used housing mortgage loans	11	63,607	62,315	62,315	-	Real estate	None
Other loans	Union Finance and Leasing International Corporation	2,062,486	2,044,926	2,044,926	-	Land, building and time deposit	None

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		Interest Revenue			
	Amount	%	Rate	Amount	%	
2012	\$ 2,107,691	1.04	1.20%-3.23%	\$ 40,455	0.44	
2011	1,620,784	0.85	1.02%-3.82%	34,181	0.36	

2) Deposits

	December 31		Interest Expense			
	Amount	%	Rate	Amount	%	
2012	\$ 2,422,662	0.72	0%-4.85%	\$ 12,411	0.36	
2011	3,899,528	1.21	0%-4.76%	28,561	0.99	

3) Guarantees and letters of credit

December 31, 2012

Name	Highest Balance in the Year Ended December 31, 2012	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
The Liberty Times Co., Ltd.	18,723	10,923	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.3%	Time deposits

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

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

4) Securities brokerage fees

	<u>Year Ended December 31</u>	
	Amount	%
2012	\$ 4,013	7.36
2011	2,821	4.03

5) 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 (included in other operating expenses).

6) 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:

	<u>Lease Deposit (Included in Other Financial Assets)</u>		<u>Rental Expense (Included in Other Operating Expense)</u>	
	Amount	%	Amount	%
<u>2012</u>				
Yu-Pang	\$ 454,290	6.42	\$ 14,821	0.63
Hung-Kuo	218,760	3.09	100,675	4.28
Yong-Xuan	13,649	0.19	57,514	2.45
UECC	4,384	0.06	9,266	0.39
UFLIC	-	-	3,447	0.15

(Continued)

	<b>Lease Deposit (Included in Other Financial Assets)</b>		<b>Rental Expense (Included in Other Operating Expense)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<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
				(Concluded)

The Bank rented cars for business use from UFLIC; the rental expenses were \$9,094 thousand in 2012 and \$7,495 thousand in 2011. Rentals payable as of December 31, 2012 and 2011 were \$107 thousand and \$64 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 \$912 thousand in 2012 and \$1,131 thousand in 2011. The lease deposits received (included in other financial liabilities) were both \$227 thousand in 2012 and 2011.

7) 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. As of December 31, 2012, the total proceeds of the sale had been received (refer to Note 15).

8) Available-for-sale financial assets

As of December 31, 2012 and 2011, the Bank had purchased 97,878 thousand and 48,344 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to \$1,213,996 thousand and \$554,130 thousand, respectively.

9) UIT sold computers, related material and software and provided network service to the Bank. The related purchase and service fee in 2012 and 2011 were \$82,682 thousand and \$90,638 thousand, respectively.

10) The Bank provided insurance consulting service and sales assistance to UIB. The commission and fee revenues were \$161,213 thousand in 2012 and \$145,951 thousand in 2011. The commission revenues on insurance premium (included in commissions and fee revenue) were \$310,225 thousand in 2012 and \$173,825 thousand in 2011.

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:

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Salaries	\$ 18,153	\$ 17,499
Incentives	4,994	3,877
Traveling fare	1,626	1,732
Special compensation	480	480
Car rental and oil subsidy	2,745	2,486
Remuneration to directors and supervisors	<u>2,224</u>	<u>-</u>
	<u>\$ 30,222</u>	<u>\$ 26,074</u>

## 27. PLEDGED ASSETS

As of December 31, 2012 and 2011, government bonds and bank debentures, which amounted to \$158,200 thousand and \$179,800 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, 2012 and 2011, negotiable certificates of deposit, which amounted to \$5,000,000 thousand and \$2,500,000 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 1.37% in 2012 and 1.08% in 2011. Future minimum lease payments are as follows:

<b>Year</b>	<b>Amount</b>
2013	\$ 408,437
2014	340,230
2015	239,435
2016	125,151
2017	79,256

The present value of total rentals of \$356,122 thousand for beyond 2018 is about \$332,863 thousand, discounted at the Bank's one-year time deposit interest rate of 1.36% on December 31, 2012.

b. Computer equipment purchase contracts

The Bank had contracts to buy computer equipment and software for \$45,676 thousand, of which \$29,217 thousand had been paid as of December 31, 2012.

c. Securities sold under repurchase agreements

As of December 31, 2012, securities with a total cost of \$28,289,349 thousand were sold under agreements for repurchase between January 2013 and April 2013. 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, 2012, securities with a total cost of \$21,764,953 thousand were purchased under agreements to resell for \$21,774,630 thousand in January 2012.

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

**Balance Sheet of Trust Accounts  
December 31, 2012**

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	\$ 4,051,339	Income tax payable	\$ 86
Investments		Marketable securities payable	7,955,499
Mutual funds	35,157,618	Trust capital	49,256,059
Common stock	147,580	Reserve and deficit	<u>(82,301)</u>
Short-term bills and securities purchased under resell agreements	91,839		
Accounts receivable	2,645		
Stock in custody	7,955,499		
Real estate - land and building	<u>9,722,823</u>		
Total	<u>\$ 57,129,343</u>	Total	<u>\$ 57,129,343</u>

**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>

**Trust Income Statement**  
**Year Ended December 31, 2012**

	<b>Amount</b>
Trust income	
Interest revenue - demand accounts	\$ 1,566
Interest revenue - time deposits	6,500
Interest revenue - short-term bills and securities purchased under resell agreements	368
Cash dividend	9,102
Realized capital gain - fund	44
Income from beneficial certificates	<u>371</u>
Total trust income	<u>17,951</u>
Trust expense	
Management expense	3,754
Custodian fee	8
Taxation	100,988
Realized capital loss - fund	278
Other	<u>26,768</u>
Total trust expense	<u>131,796</u>
Loss before tax	(113,845)
Income tax expense	<u>(1,880)</u>
Loss after tax	(115,725)
Unrealized capital gain - GTSM stock	40,586
Unrealized capital gain - fund	1,107
Unrealized capital loss - GTSM stock	(867)
Unrealized capital loss - fund	<u>(477)</u>
Net loss	<u>\$ (75,376)</u>

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

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

	<b>Amount</b>
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 dividends	17,625
Realized capital gain - fund	571
Income from beneficial certificates	<u>618</u>
Total trust income	24,910
Trust expense	
Management expense	4,398
Taxation	164,689
Realized capital loss - fund	2,297
Other	<u>13,084</u>
Total trust expense	184,468

(Continued)



	<b>Amount</b>
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> (Concluded)

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

**Trust Property and Equipment Accounts  
December 31, 2012**

<b>Investment Portfolio</b>	<b>Amount</b>
Bank deposits	\$ 4,051,339
Investments	
Mutual funds	35,157,618
Common stock	147,580
Short-term bills and securities purchased under resell agreements	91,839
Accounts receivable	2,645
Stock in custody	7,955,499
Real estate - land and buildings	<u>9,722,823</u>
	<u>\$ 57,129,343</u>

**Trust Property and Equipment Accounts  
December 31, 2011**

<b>Investment Portfolio</b>	<b>Amount</b>
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>

**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.

	<b>2012</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>		
Cash and cash equivalents	\$ 880,436	0.81
Due from the Central Bank and other banks	93,239,726	0.82
Financial assets at fair value through profit or loss	13,746,317	0.68
Securities purchased under resell agreements	6,848,497	0.76
Discounts and loans	197,865,711	2.61
Accounts receivable - credit card	9,738,705	10.22
Available-for-sale financial assets	9,910,148	0.91
Held-to-maturity investments	1,162,516	1.82
No-active market debt instruments	41,879,763	4.60
<u>Interest-bearing liabilities</u>		
Call loans and due to other banks	475,277	0.10
Due to Chunghwa Post Co., Ltd.	5,733,631	1.39
Securities sold under repurchase agreements	34,652,859	0.69
Demand deposits	42,960,345	0.16
Savings - demand deposits	87,001,222	0.29
Time deposits	59,691,231	1.26
Time-savings deposits	132,276,231	1.41
Negotiable certificates of deposit	925,177	0.74
Bank debentures	5,367,022	2.52
	<b>2011</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<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

(Continued)

	<u>2011</u>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<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
		(Concluded)

### 30. FINANCIAL INSTRUMENTS

#### a. Fair values of financial instruments

	<u>December 31</u>			
	<u>2012</u>		<u>2011</u>	
	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 8,094,894	\$ 8,094,894	\$ 8,167,543	\$ 8,167,543
Available-for-sale financial assets	10,237,156	10,237,156	7,516,896	7,516,896
Other short-term financial assets	120,737,754	120,737,754	125,365,389	125,365,389
Discounts and loans, net	201,833,438	201,833,438	190,679,993	190,679,993
Held-to-maturity financial assets	811,872	822,838	1,313,015	1,328,865
Financial assets carried at cost	448,378	-	450,451	-
No-active market debt instruments	43,871,572	44,238,804	44,723,018	44,569,296
Other financial assets	7,071,901	7,071,901	4,457,747	4,457,747
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	27,417	27,417	33,852	33,852
Other short-term financial liabilities	39,763,237	39,763,237	47,321,184	47,321,184
Deposits	337,267,662	337,267,662	322,649,113	322,649,113
Bank debentures	5,200,000	5,360,295	4,890,000	5,023,408
Other financial liabilities	398,965	398,965	337,852	337,852

#### 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 doubtful accounts.
- 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:

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Quoted Market Prices</b>	<b>Estimates Based on Valuation Techniques</b>	<b>Quoted Market Prices</b>	<b>Estimates Based on Valuation Techniques</b>
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 7,984	\$ 8,086,910	\$ 98,257	\$ 8,069,286
Available-for-sale financial assets	2,957,032	7,280,124	2,416,130	5,100,766
Held-to-maturity investments	-	822,838	-	1,328,865
No-active market debt instruments	-	44,238,804	-	44,569,296
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	-	27,417	-	33,852

The fair value hierarchy of the Bank's financial instruments as of December 31, 2012 was as follows:

	<b>December 31, 2012</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u><b>Nonderivative financial instruments</b></u>				
<b>Assets</b>				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	\$ 7,984	\$ 7,984	\$ -	\$ -
Debt instruments	51,190	-	51,190	-
Commercial paper	5,138,492	-	5,138,492	-
Financial assets designated as at FVTPL on initial recognition				
Available-for-sale financial assets	2,821,369	-	2,821,369	-
Stock	1,620,142	1,620,142	-	-
Debt instruments	6,482,625	-	6,482,625	-
Beneficial certificates	1,336,890	1,336,890	-	-
Commercial paper	797,499	-	797,499	-
Held-to-maturity financial assets	822,838	-	822,838	-
No-active market debt instruments	44,238,804	-	44,238,804	-
<u><b>Derivative financial instruments</b></u>				
<b>Assets</b>				
Financial assets at FVTPL	75,859	-	74,951	908
<b>Liabilities</b>				
Financial liabilities at FVTPL	27,417	-	26,509	908

- 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 2012 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	\$ 35,079	\$ (79)	\$ -	\$ -	\$ (35,000)	\$ -	\$ -
Derivative financial assets	997	3,751	14,423	-	(18,263)	-	908

Other information on financial liabilities in level 3 in 2012 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	\$ 997	\$ 3,987	\$ 16,790	\$ -	\$ (20,866)	\$ -	\$ 908

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 \$12,622 thousand in 2012 and \$39,842 thousand in 2011.

As of December 31, 2012 and 2011, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Years Ended December 31	
	2012	2011
Total interest income	\$ 9,022,020	\$ 9,496,704
Total interest expense	3,405,966	2,884,122

For the changes in fair value of available-for-sale financial assets, the Bank recognized in stockholders' equity the unrealized gains of \$443,903 thousand in 2012 and the unrealized losses of \$279,927 thousand in 2011, of which \$123,842 thousand losses and \$19,847 thousand gains, 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, 2012 and 2011, the ratios of secured loans to total loans were 83.43% and 84.49%, respectively, and the ratio of secured financial guarantees and standby letters of credits to the totals of these two financial instruments were 30.19% and 37.53%, 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 1.2% to 6.25% in 2012 and from 1.40% to 7.25% in 2011, 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, 2012 and 2011 were as follows:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Credit commitments for credit cards	\$ 173,760,513	\$ 172,680,945
Guarantees and standby letters of credit	10,430,665	10,223,821
Irrevocable loan commitments	68,082	900,303

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, 2012 and 2011. The Bank's most significant concentrations of credit risk as of December 31, 2012 and 2011 are summarized as follows:

<b>Credit Risk Profile by Counter-party</b>	<b>Carrying Amount</b>	
	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Consumer	\$ 145,359,545	\$ 140,643,383
Private sector	45,556,201	39,922,216
Government	<u>2,390,000</u>	<u>-</u>
	<u>\$ 193,305,746</u>	<u>\$ 180,565,599</u>



<b>Credit Risk Profile by Industry Sector</b>	<b>December 31, 2012</b>	<b>Credit Risk Profile by Industry Sector</b>	<b>December 31, 2011</b>
Real estate activities	\$ 15,985,398	Real estate activities	\$ 14,658,821
Manufacturing	8,089,026	Manufacturing	6,022,603
Commercial	<u>7,964,168</u>	Commercial	<u>7,450,261</u>
	<u>\$ 32,038,592</u>		<u>\$ 28,131,685</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, 2012 and 2011, the liquidity reserve ratios were 29.02% and 29.97%, 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:

	<b>December 31, 2012</b>					<b>Total</b>
	<b>Due in One Month</b>	<b>Due Between after One Month and Three Months</b>	<b>Due Between after Three Months and Six Months</b>	<b>Due Between after Six Months and One Year</b>	<b>Due after One Year</b>	
<u>Assets</u>						
Cash and cash equivalents	\$ 9,067,257	\$ 105,000	\$ 192,000	\$ 206,000	\$ -	\$ 9,570,257
Due from the Central Bank and other banks	67,432,762	990,351	1,062,282	2,310,065	3,583,454	75,378,914
Financial assets at fair value through profit or loss	5,239,486	15,745	674	1,995	2,836,994	8,094,894
Securities purchased under resell agreements	21,468,366	296,587	-	-	-	21,764,953
Receivables	5,520,507	2,342,462	2,118,221	3,473,428	841,599	14,296,217
Discounts and loans	9,034,493	19,028,321	17,617,586	32,479,304	125,899,649	204,059,353
Available-for-sale financial assets	199,999	1,224,295	383,261	899,621	7,529,980	10,237,156
Held-to-maturity investments	5,399	-	199,980	302,410	304,083	811,872
No active market debt instruments	-	-	-	-	<u>43,871,572</u>	<u>43,871,572</u>
	<u>117,968,269</u>	<u>24,002,761</u>	<u>21,574,004</u>	<u>39,672,823</u>	<u>184,867,331</u>	<u>388,085,188</u>
<u>Liabilities</u>						
Call loans and due to banks	297,658	-	2,000,000	2,817,779	-	5,115,437
Financial liabilities at fair value through profit or loss	22,952	1,492	1,066	1,907	-	27,417
Securities sold under repurchase agreements	16,221,773	12,057,475	10,101	-	-	28,289,349
Payables	4,857,018	878,223	397,704	117,207	20,551	6,270,703
Deposits and remittance	35,819,872	40,497,492	50,791,156	86,248,816	124,041,800	337,399,136
Bank debentures	-	-	-	-	<u>5,200,000</u>	<u>5,200,000</u>
	<u>57,219,273</u>	<u>53,434,682</u>	<u>53,200,027</u>	<u>89,185,709</u>	<u>129,262,351</u>	<u>382,302,042</u>
Net liquidity gap	<u>\$ 60,748,996</u>	<u>\$ (29,431,921)</u>	<u>\$ (31,626,023)</u>	<u>\$ (49,512,886)</u>	<u>\$ 55,604,980</u>	<u>\$ 5,783,146</u>

	December 31, 2011					
	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	\$ 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 Available-for-sale financial assets	8,576,978	10,365,330	15,542,071	38,094,496	120,027,909	192,606,784
Held-to-maturity investments	150,502	-	231,413	400,832	6,734,149	7,516,896
No active market debt instruments	393,765	-	-	234,171	685,079	1,313,015
	-	-	-	-	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>

### 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, 2012		
			Union Bank	Consolidated	
Eligible capital	Tier 1 capital		\$ 20,240,171	\$ 20,997,525	
	Tier 2 capital		4,391,214	4,915,689	
	Tier 3 capital		-	-	
	Eligible capital		24,631,385	25,913,214	
Risk-weighted assets	Credit risk	Standardized approach	172,264,571	179,355,942	
		Internal ratings-based approach	-	-	
		Securitization	2,173,343	2,210,034	
	Operational risk	Basic indicator approach	15,472,424	17,483,587	
		Standardized approach/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	6,945,775	7,214,938	
		Internal model approach	-	-	
		Risk-weighted assets		196,856,113	206,264,501
	Capital adequacy ratio			12.51	12.56
Ratio of Tier 1 capital to risk-weighted assets			10.28	10.18	
Ratio of Tier 2 capital to risk-weighted assets			2.23	2.38	
Ratio of Tier 3 capital to risk-weighted assets			-	-	
Ratio of common stock to total assets			4.93	4.88	
Leverage ratio			5.06	5.20	

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, 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	11.75
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	

### 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, 2012				Year Ended December 31, 2011			
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	U Group - real estate	\$ 2,408,700	10.01	1	A Group - real estate	\$ 2,602,304	11.85
2	A Group - real estate	2,306,916	9.58	2	D Group - real estate	2,411,150	10.98
3	N Group - real estate	2,119,000	8.80	3	U Group - real estate	2,397,075	10.92
4	B Group - other financial intermediary	2,044,926	8.49	4	N Group - real estate	2,072,000	9.44
5	F Group - chemical materials	1,960,864	8.15	5	C Group - real estate	1,724,612	7.86
6	X Group - retail	1,501,908	6.24	6	X Group - retail	1,638,163	7.46
7	D Group - real estate	1,181,000	4.91	7	T Group - real estate	924,800	4.21
8	E Group - real estate	1,152,420	4.79	8	Z Group - real estate	820,000	3.74
9	Z Group - real estate	820,000	3.41	9	K Group - real estate	579,736	2.64
10	O Group - financial intermediary	688,000	2.86	10	H Group - retail	553,800	2.52

b. Interest rate sensitivity

**Interest Rate Sensitivity  
December 31, 2012**

(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	\$ 285,236,204	\$ 4,243,624	\$ 11,034,045	\$ 21,536,626	\$ 322,050,499
Interest rate-sensitive liabilities	168,682,395	104,566,385	45,123,288	9,436,810	327,808,878
Interest rate sensitivity gap	116,553,809	(100,322,761)	(34,089,243)	12,099,816	(5,758,379)
Net worth					15,289,353
Ratio of interest rate-sensitive assets to liabilities					98.24%
Ratio of interest rate sensitivity gap to net worth					(37.66%)

**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%

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, 2012**

(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	\$ 600,787	\$ 225,589	\$ 702,778	\$ 571,266	\$ 2,100,420
Interest rate-sensitive liabilities	1,225,443	384,610	215,731	-	1,825,784
Interest rate sensitivity gap	(624,656)	(159,021)	487,047	571,266	274,636
Net worth					339,675
Ratio of interest rate-sensitive assets to liabilities					115.04%
Ratio of interest rate sensitivity gap to net worth					80.85%

**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%)

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		2012	2011
Return on total assets	Before income tax	0.76	0.58
	After income tax	0.65	0.48
Return on net worth	Before income tax	13.21	10.56
	After income tax	11.35	8.69
Profit margin		35.18	25.00

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, 2012 and 2011.

2) Maturity analysis of assets and liabilities:

**Maturity Analysis of Assets and Liabilities**  
**December 31, 2012**

(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	\$ 351,438,091	\$ 121,287,411	\$ 15,978,962	\$ 21,982,257	\$ 48,479,282	\$ 143,710,179
Main capital outflow on maturity	418,077,679	52,926,430	37,072,989	41,111,671	87,531,111	199,435,478
Gap	(66,639,588)	68,360,981	(21,094,027)	(19,129,414)	(39,051,829)	(55,725,299)

**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)

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, 2012**

(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	\$ 2,685,330	\$ 888,349	\$ 165,742	\$ 227,493	\$ 719,749	\$ 683,997
Capital outflow on maturity	2,685,243	979,123	261,768	487,250	617,426	339,676
Gap	87	(90,774)	(96,026)	(259,757)	102,323	344,321

**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

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. 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.

### 35. SEGMENT INFORMATION

The Bank has disclosed the segment information in the consolidated financial statements. Therefore, the Bank's financial statements herewith do not disclose this information.

### 36. SIGNIFICANT FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	2012			2011		
	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	\$ 1,961,256	29.136	\$ 57,143,155	\$ 1,940,326	30.29	\$ 58,772,475
JPY	4,797,220	0.3375	1,619,062	5,363,695	0.3903	2,093,450
GBP	4,685	46.9818	220,110	5,857	46.7678	273,919
AUD	55,611	30.2665	1,683,150	40,754	30.7746	1,254,188
HKD	121,956	3.7586	458,384	96,228	3.8983	375,126
CAD	8,785	29.2971	257,375	7,916	29.6815	234,959
CNY	19,557	4.6797	91,521	-	-	-
SGD	595	23.8292	14,178	1,122	23.3179	26,163
ZAR	688,714	3.4289	2,361,531	398,710	3.7211	1,483,640
CHF	638	31.9334	20,373	805	32.2063	25,926
THB	149	0.9517	142	41	0.9595	39
NZD	31,906	23.9323	763,584	40,887	23.4142	957,336
EUR	15,093	38.6081	582,712	19,690	39.2104	772,053

(Continued)

	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 1,612,062	29.136	\$ 46,969,038	\$ 1,604,490	30.29	\$ 48,600,002
JPY	4,888,821	0.3375	1,649,977	5,910,282	0.3903	2,306,783
GBP	4,672	46.9818	219,499	5,846	46.7678	273,405
AUD	55,511	30.2665	1,680,124	40,802	30.7746	1,255,665
HKD	121,668	3.7586	457,301	96,229	3.8983	375,130
CAD	8,774	29.2971	257,053	8,113	29.6815	240,806
CNY	17,473	4.6797	81,768	-	-	-
SGD	565	23.8292	13,463	1,077	23.3179	25,113
ZAR	689,108	3.4289	2,362,882	398,817	3.7211	1,484,038
CHF	614	31.9334	19,607	780	32.2063	25,121
NZD	31,968	23.9323	765,068	40,892	23.4142	957,453
EUR	18,129	38.6081	699,926	19,646	39.2104	770,328
						(Concluded)

**UNION BANK OF TAIWAN**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**YEAR ENDED DECEMBER 31, 2012**  
(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\$ 16,431	\$ 400,000	\$ 400,000	\$ 400,000	1.99	US\$ 16,431

## UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2012

(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, 2012			Market Value or Net Asset Value	Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership		
Union Finance and Leasing International Corporation	<u>Stock</u> Masterlink Securities Corporation. Photronics Semiconductor Misk Corp. China Chemical Corporation Union Capital (Cayman) Corp. New Asian Ventures Ltd. WI Harper Group ERA Communications Co., Ltd. Yung Li Securities Co., Ltd. Schmidt Technology Co., Ltd.	-	Available-for-sale financial assets	872	\$ 8,035	0.06%	\$ 8,035	Note 4
		-	Available-for-sale financial assets	536	7,048	0.18%	7,048	Note 4
		-	Available-for-sale financial assets	356	7,377	0.11%	7,377	Note 4
		Subsidiary	Equity investment - equity method	50	US\$ 16,431	100.00%	US\$ 16,431	Note 1
		Subsidiary	Equity investment - equity method	-	US\$ 2,488	100.00%	US\$ 2,488	Note 1
		-	Unquoted equity instruments	283	1,867	3.33%	2,340	Note 1
		-	Unquoted equity instruments	425	1,415	0.33%	6,675	Note 1
		-	Unquoted equity instruments	1	166	0.99%	166	Note 1
		-	Unquoted equity instruments	63	-	0.29%	581	Note 1
		-	Financial assets designated as at fair value through profit or loss	500	53,760	-	53,760	-
Union Information Technology Corporation	<u>Stock</u> Jin Shang Chang Development Co., Ltd. ELTA Technology Co., Ltd. eBizServe, Inc. Xiehe E-commerce Co., Ltd.	-	Available-for-sale financial assets	-	-	-	-	Note 4
		-	Unquoted equity instruments	2,382	23,240	15.88%	33,859	Note 3
		-	Unquoted equity instruments	236	654	0.78%	68	Note 3
		-	Unquoted equity instruments	169	-	7.99%	-	Note 3
Union Finance International (HK) Limited	<u>Bond</u> HIBOS Capital Funding LP Penn West Energy	-	Available-for-sale financial assets	900	US\$ 820	-	US\$ 820	-
		-	Available-for-sale financial assets	29	US\$ 315	-	US\$ 315	-
		-	Available-for-sale financial assets	33	US\$ 828	-	US\$ 828	Note 4
		-	Available-for-sale financial assets	18	US\$ 15	-	US\$ 15	Note 4
		-	Financial assets at fair value through profit or loss	3	US\$ 1,551	-	US\$ 1,551	Note 4
		-	Financial assets at fair value through profit or loss	12	US\$ 479	-	US\$ 479	Note 4
		-	Financial assets at fair value through profit or loss	14	US\$ 697	-	US\$ 697	Note 4
		-	Financial assets at fair value through profit or loss	110	US\$ 1,195	-	US\$ 1,195	Note 4
		-	Financial assets at fair value through profit or loss	-	-	-	-	-
		-	Financial assets at fair value through profit or loss	-	-	-	-	-

(Continued)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
New Asian Ventures Ltd.	Beneficial certificates Global Emerging Markets Debt Fund	-	Financial assets at fair value through profit or loss	4	US\$ 447	-	US\$ 447	Note 4
	Stock Grace Thw Holding Limited	-	Unquoted equity instruments	1,667	US\$ 2,000	0.81%	US\$ 1,986	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, 2012.

Note 2: New Asian Ventures Ltd.:

Grace Thw Holding Limited - unaudited stockholders equity as of December 31, 2012.

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

ELTA Technology Co., Ltd. and eBizServe, Inc. - unaudited stockholders' equity as of December 31, 2012.

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, 2012 AND 2011

(In Thousands of New Taiwan Dollars, %)

Period	December 31, 2012					December 31, 2011					
	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	\$ 323,397	\$ 58,108,625	0.56%	\$ 925,882	269.84%	\$ 400,865	\$ 55,975,921	0.72%	\$ 772,445	176.69%
	Unsecured	19,728	27,054,953	0.07%	-	-	36,301	23,550,123	0.15%	-	-
Consumer banking	Housing mortgage (Note 4)	81,984	103,226,414	0.08%	1,122,258	1,368.87%	171,979	99,904,119	0.17%	970,379	564.24%
	Cash card	10,207	231,347	4.41%	19,912	195.08%	29,672	352,450	8.42%	53,017	178.68%
	Small scale credit loans (Note 5)	27,511	5,273,628	0.52%	57,334	208.40%	41,041	3,136,699	1.31%	47,569	115.91%
	Other (Note 6)	13,461	8,062,332	0.17%	100,529	700.60%	9,894	7,333,885	0.13%	83,381	701.09%
	Unsecured	888	1,184,432	0.07%	-	-	1,999	1,250,498	0.16%	-	-
Deposits and remittances	Certificates of deposit	-	917,622	-	-	-	-	1,103,089	-	-	-
Loan		477,176	204,059,353	0.23%	2,225,915	466.48%	691,751	192,606,784	0.36%	1,926,791	278.54%
		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		42,387	11,716,689	0.36%	155,540	366.95%	36,116	13,374,834	0.27%	298,653	826.93%
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. 0944000494), 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, 2012		December 31, 2011	
		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)		\$ 191,300	\$ 810,621	\$ 261,682	\$ 1,103,340
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)		74,289	1,037,923	62,089	1,085,042
Total		265,589	1,848,544	323,771	2,188,382

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 INVESTEEES**  
**YEAR ENDED DECEMBER 31, 2012**  
(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	Total Shares (Thousands)	
Financial-related Union Finance and Leasing International Corporation	Taipei	Installation, leasing and accounts receivable factoring	100.00%	\$ 875,475	\$ 144,432	70,000		70,000	Note
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99%	77,952	(8,873)	30,000		30,000	Note
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00%	127,382	6,204	13,096		13,096	Note
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00%	33,884	22,917	500		500	Note
Taiwan Asset Management Corporation	Taipei	Purchase, sell and manage nonperforming loans from financial institution	0.57%	100,000	7,594	10,000		10,000	Note
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	696	386		386	6.44%
Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81%	2,113	512	160		160	0.81%
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99%	13,232	(1,140)	1,000		1,000	99.99%
Financial Information Service Co., Ltd.	Taipei	Information service	2.39%	118,782	28,013	10,774		10,774	2.39%
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25%	13,916	1,169	799		799	0.25%
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04%	71,250	12,460	5,676		5,676	2.04%
Nonfinancial-related Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00%	54,490	(823)	4,000		4,000	80.00%
Fu Hua Venture Corporation	Taipei	Investments	5.00%	23,926	-	3,000		3,000	5.00%
Jiao Da Venture Corporation	Taipei	Investment	5.00%	2,826	-	594		594	5.00%
Li Yu Venture Corporation	Taipei	Investment	4.76%	6,437	-	855		855	4.76%
Lian An Service Corporation	Taipei	Security service	5.00%	1,501	112	125		125	5.00%
Taiwan Power Corporation	Taipei	Electricity-related business	0.0012%	6,124	-	395		395	0.0012%
Global Communication Semiconductor, Inc.	U.S.A.	Semiconductor business	0.76%	9,185	39	278		278	0.76%

Note: The investees' information shown above is based on audited financial reports as of December 31, 2012.