Stock Code:2838



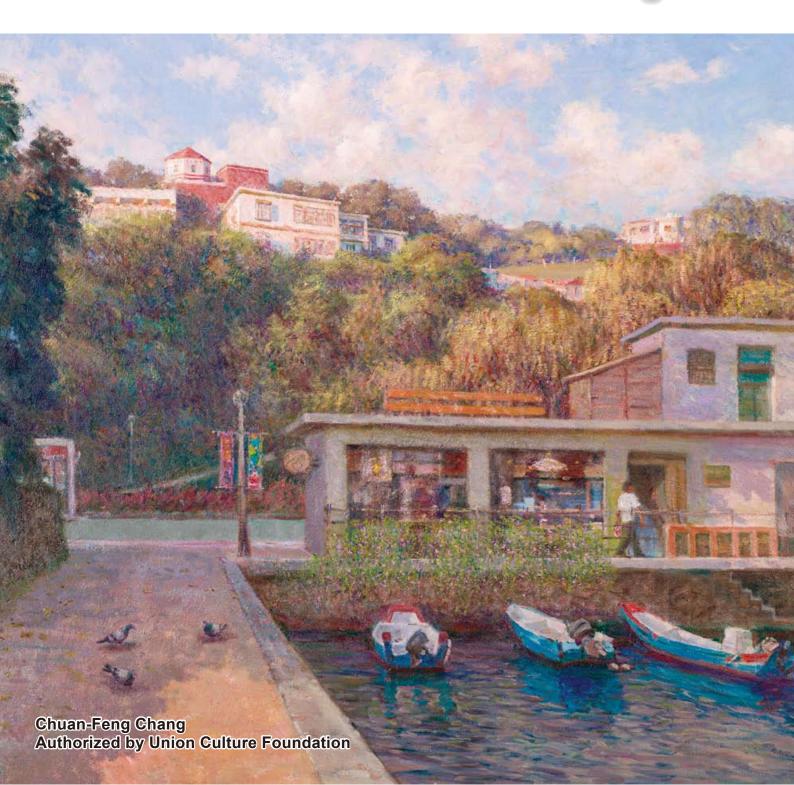
Date of Publication: May 2014

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.

2013 Annual Report



I. Spokesman

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

Tel.: 02-27180001

E-mail: herman_tu@ubot.com.tw

Second Spokesman

Name: Mr. Yanger Yang / Title: Department Manager

Tel.: 02-27180001

E-mail: yanger_yang@ubot.com.tw

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

Please refer to page 145 ~148.

III. Stock Registration Office

Name: MasterLink Securities Corp.

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

Address: B1, No.35, Ln. 11, Guangfu N. Rd., 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 2013

(1) Domestic and International Financial Environment

The start of 2013 saw a continuation of the problems that lasted throughout 2012, being the European debt crisis and unresolved financial issues confronting the United States. As such, the impetus for economic growth was moderate during the first half of 2013. Later in the year, the economic conditions of major developed countries stabilized and the European debt crisis and the US financial issues were gradually subsiding, and the global economic conditions saw an upturn. On the domestic front, the economic performance was below expectation due to sluggish global economy, decline in exports and relatively conservative domestic consumption.

The statistics published by the Directorate-General of Budget, Accounting and Statistics reported a domestic economic growth of 2.11% for 2013, representing a slight improvement of 0.63% against 1.48% for 2012. Although the domestic economic growth for 2013 showed a slowdown, domestic banking institutions were making adjustments to their business structure to improve interest rate spread, increase the weighting of offshore business investments and maintain a sound level of asset quality. Therefore, in spite of all odds, the banking sector showed an overall improvement in business performance and profitability for 2013.

(2) Changes in Bank Organization

The Bank now operates 89 domestic branches with the addition of a new branch in 2013.

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

Thanks to the dedication of our employees, the Bank is pleased to report outstanding performance across the various areas of business in 2013. With regard to profitability, the Bank reported an after-tax net income of NT\$ 2.868 billion for the year ended December 31, 2013, representing a growth of 8.85% against 2012; earnings per share (EPS) was NT\$1.30, return on assets (ROA) was 0.68% and return on equity (ROE) was 10.74%; The Bank was able to maintain sound asset quality, reporting an NPL ratio of 0.29% and bad debt coverage ratio of 374.29%.

For many years now, the Bank has developed its various business based on the strategies of maintaining consistent growth and dedicating to cultivation of local business. On January 23, 2014, Taiwan Ratings Corp awarded our Bank its long- and short-term issuer credit rating for "twA" and "twA-1" respectively, and the outlook on the long-term rating is stable. Overall, the Bank's operating status, capital and profitability standing and asset quality are well recognized. The Bank also outperformed the indigenous banks average on several other indicators.

(4) Revenue/Expenditure and Profitability

Letter to Shareholders

For the year ended December 31, 2013, the Bank reported a net interest income of NT\$ 5.921 billion, net non-interest income of NT\$2.558 billion and net profit of NT\$ 8.479 billion, representing an increase of NT\$1.037 billion or 13.93% against NT\$7.442 billion for the previous year; after adding reversal of bad debts totaling NT\$96 million and deducting operating expenses totaling NT\$5.236 billion, the before-tax income amounted to NT\$3.339 billion for year 2013, which is 104% of the annual budget of NT\$3.2 billion and represents an increase of NT\$289 million or 9.48% against 2012's.

2. Credit Rating

Rating Agency	Date of	Rating	Outlook	
	Rating			
Taiwan Ratings	Jan. 23, 2014	Long-Term:	Short-Term:	Stable
Corporation		twA	twA-1	

3. 2014 Business Plan

- (1) We have been adopting a business principle of achieving growth based upon steadiness. We do not engage in price wars, and instead, we provide customers with the best possible services at reasonable prices. Our main business development policies are as follows:
 - 1. Deposit business: We aim at improving business competitiveness by designing new special deposits for different target customers such as payroll account holders or SME clients to secure a higher demand deposit volume and new clients, and to continuously enhance the added functions of deposit accounts such as easy card and bills payment services to enhance the bank-customer relationship.
 - 2. Corporate banking: In addition to controlling the risk concentration associated with real estates loans made, the Bank also works to ensure profitability and risk associated with other business. We are in active pursuit of expanding corporate banking and give priority to make loans of self-liquidating nature and loans to manufacturing plants based in Taiwan. We also take advantage of applying for credit guarantee fund and seeking for good quality collateral to enhance our loan security.
 - 3. Consumer banking: housing loans are mainly granted to owner occupants who possess sound repayment capabilities. We seek affiliate with premium car dealers to offer special car loans in order to stabilize the sources of loans for second-hand cars. We also design special consumer loan offers for different target groups from time to time according to market demand.
 - 4. Credit card: Plan brand new theme events to create market volume and appeal. Organise activities to promote card usages and hence the fee income; promote mobile credit cards and develop new market opportunities; actively pursue the large-and medium-sized merchants and chain stores and secure the market share

in the payment services market.

5. Wealth management: Enhance the development of effective clients to improve market share; carefully select the investment targets and exercise control of the marketing process of investment products; and continue to introduce diverse products to offer wealth manager clients with a diverse range of asset allocation choices.

(2) Channel development:

- 1. The Bank operates 90 domestic branches and has been granted approval by the Financial Supervisory Commission to set up our Hong Kong branch, which is a part of our plan to expand our business territory overseas in line with globalization of the financial market.
- 2. The Bank has expanded our ATM service network to offer customers more convenient services and through which we hope to enhance our corporate image and reputation. As of December 31, 2013, the Bank has installed a total 734 ATMs to service our clients.

(3) Business targets for 2014

- 1. Deposits expect to grow by 12.12%, reaching NT\$ 411.7 billion by the end of 2014.
- 2. Loans expect to grow by 6.26%, reaching NT\$ 250.5 billon (excluding credit cards) by the end of 2014.
- 3. Foreign exchange turnover is forecasted to reach US 4.412 billion.
- 4. Improvement in business performance targets: including a suppressed NPL ratio or one that is lower than the industry average and improvement in bad debt coverage to be above 1% and a BIS ratio above 12%.

4. External Factors and Future Development Strategies

We expect exports to improve given the global economic recovery and increase in international trade during 2014. The anticipated improvement in private consumption also hopefully will stimulate stable growth in the domestic economy. The domestic banking sector will see continued growth in deposit and wealth management businesses. Interest rate spread may continue to increase given the adjustment in the structure of loans. We expect the domestic banking sector to experience stable growth in profitability during 2014.

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.

Letter to Shareholders

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,

事長 まる 草 園間

Chairman Shiang-Chang Lee

總經理林鴻郡

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 2013 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.

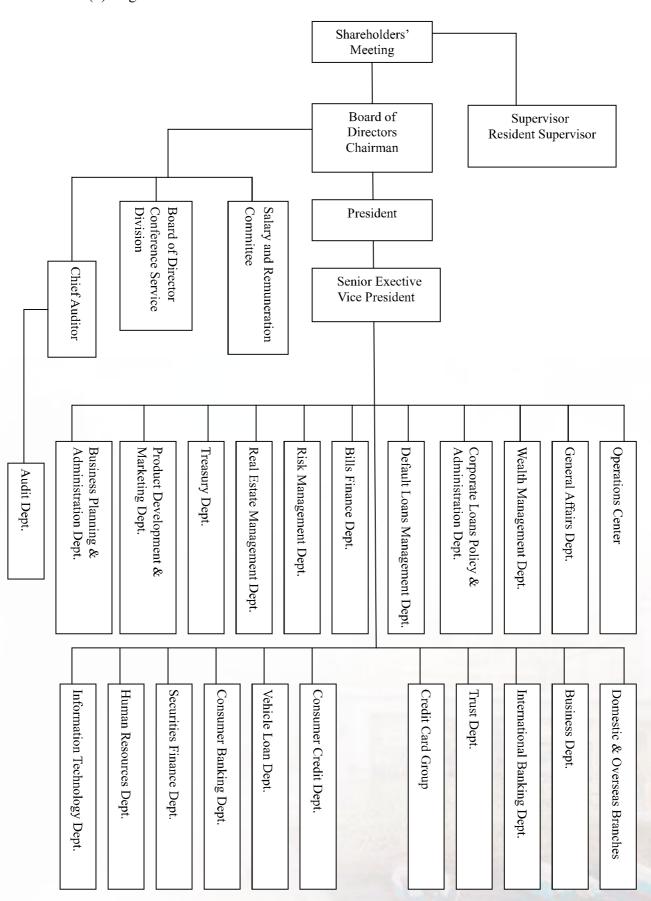
Refer to "Changes in Share Ownership of Directors, Supervisors, Managerial Officers or Parties Required to Declare Changes in Share Ownership Under Article 11 of the Regulations Governing the Management of Voting Shares Owned By the Same Person or the Same Related Party in the Same Bank That Reached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

5. Changes in Management Rights, Management Mode or Other Significant business Changes During 2013 and Current Year Up to the Printing Date of the Annual Report

None

1. Organization Structure

(1) Organization Chart



(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.

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.

<u>Vehicle Loan Department</u>:

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.

<u>International Banking Department:</u>

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

Information on Directors, Supervisors, and Executive Officers Directors and Supervisors A. General Information

Recordation Date: March 31, 2014 (Shares Holding Recordation Date: April 7, 2014)

Unit: Shares; %

Title		Date of Elected		Date of Initial	Appoi	holding at ntment		rent nolding	Sharel of Spo Mi	rent nolding ouse & nor dren	Un Oth	nolding der er's tle	Experience &	Current Positions in the	Dire Spouse	ner Execu ctors or S e or With ives of C	tive Officers, supervisors Are in Second-degree onsanguinity to Other				
Title	Name	Date of Elected	Term	Appointment	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Qualification	Bank and Other Company	Title	Name	Relation				
Chairman	Shiang-Chang Lee	2012.06.22	3 Yrs	1991.12.10	1,016,944	0.052%	1,154,604	0.052%	1,810,628	0.081%	1	1	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	1	1	1	1	1			•	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%	106,937,889	4.824%	2,222,119	0.100%			National Defense Medical School; Commissioner of International Rotary Club		None	None	None				
Independent Director	Zen-Fa Lu	2012.06.22	3 Yrs	2009.06.19	1	1							Judicial Training Program, The Judges and Prosecutors Training Institute; Prosecutor General of Supreme Prosecutors Office		None	None	None				

				Date of Initial	a	holding at ntment		rent olding		olding ouse & nor	Un Oth	nolding ider ier's itle	Experience &	Current Positions in the	Dire	ctors or S e or With ives of C	tive Officers, upervisors Are in Second-degree onsanguinity to Other
Title	Name	Date of Elected	Term	Appointment	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Qualification	Bank and Other Company	Title	Name	Relation
Director	Yu-Quan Lee	2012.06.22	3 Yrs	2009.06.19	2,650,963	0.136%	3,009,817	0.135%			•		National Taiwan Normal University; Supervisor of First Commercial Bank	Manager and Chairman of TWT Communication Corp.; Director of Taiwan 1 st 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%	77,747,674	3.507%	4,785,171	0.215%	•		Master's Degree, National Taiwan University; President of Union Bank of Taiwan	Supervisor of Union Recreation Enterprise Co., Ltd.; President of Union Bank of Taiwan. 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%	106,937,889	4.824%	688,323	0.031%			National Taiwan University Chairman of Union Bills Finance Corp		None	None	None

		Date of Elected		Date of Initial	a	nolding at ntment		rent nolding	Shareh of Spo Mi	rent nolding ouse & nor dren	Un Oth	nolding ider ner's itle	Experience &	Current Positions in the	Direc Spouse	ctors or S or With ives of C	dupervisors Are in Second-degree consanguinity to Other				
Title	Name	Date of Elected	Term	Appointment	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Qualification	Bank and Other Company	Title	Name	Relation				
Director	Yu-Pang Co., Ltd. Representative: Sue-Feng Tsao	2012.06.22	3 Yrs	1994.06.01	28,605,984	1.468%	32,478,318	1.465%	3,024		-		Investment Co., Ltd.	Director of Hung-Peng Construction Enterprise Co., Ltd.; Supervisor of Union Realestate Management Corp.; Director of Tien-Sheng Investment Co., Ltd.	None	None	None				
Director	Chi-Shun Investment Co., Ltd. Representative: Jin-Fu Liu	2012.06.22	3 Yrs	2012.06.22	70,115,261	3.598%	79,606,623	3.591%	-	-	1		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%	77,802,192	3.510%					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%	77,802,192	3.510%	411,960	0.018%			National Taiwan University; President of Formosa Transnational Attorneys At Law		None	None	None				

				Date of Initial	Appoi	holding at ntment		rent	of Spo Mi	olding	Un Oth	nolding ider ier's itle	Experience &	Current Positions in the	Direc Spouse	ctors or S or With ives of C	utive Officers, Supervisors Are iin Second-degree Consanguinity to 1 Other
Title	Name	Date of Elected	Term	Appointment	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Qualification	Bank and Other Company	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%	113,738,978	5.131%	1,530,730	0.069%			National Taiwan Normal University Director of Hong-Bung Construction Enterprise Co., Ltd.	Supervisor of Lung Shan Lin Realestate 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 Chu-Pao Investment Co., Ltd.; Director of Pai-Sheng Investment Co., Ltd.; Director of Union Realestate Management Corp.; Director of Union Dyeing and Finishing Co., Ltd.; Supervisor of Lung Shan Lin Enterprise Co., Ltd.; Manager and 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

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		of experience in ring professional quality (Note 1)					Serving as an independent director of other public companies							
Name	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Shiang-Chang Lee			V	V		V	V	V		V	V	V	V	-
Kao-Jing Wang			V	V	V	V	V	V	V	V	V	V	V	
Zhen-Xong Jiang			V	V		V	V	>		V	V	V		
Zen-Fa Lu		V	V	V	V	V	V	>	V	V	V	V	V	
Jin-Fu Liu			>	V		V	V	>		>	V	V		
Yu-Quan Lee			V	V		V	V	>		V	V	V	V	Sec. All
Jeff Lin			V			V		>		V	V	V		

Qualification		of experience in r ing professional q (Note 1)			Independent Status (Note 2)									Serving as an independent director of other public companies
Name	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Yao-Nan Lai			V	V		V	~	~	V	V	~	V		-
Sue-Feng Tsao			V	V		V	~			V	V	V		-
Jia-Yi Wang		V	V	V		V	V	V	V	V	~	V		-
Zhen-Lu Lin			V	V		V	V	V	V	V	V	V		-
Si-Yong Lin			V	V		V	~			V	V	V		-

- 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 "V" 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 third-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.

D. Director and Supervisors' Training Records

		Date of	Training				Has the Director or
Title	Name	From	То	Organizer	Course Name	Hours	Supervisor Met the Training Requirements Note
Chairman	Shiang-Chang Lee	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes
Independent Managing Director	Kao-Jing Wang	2013.05.14	2013.05.14	Taiwan Stock Exchange Corporation.	Information Session and Symposium for Functions of Independent Directors of Companies Listed on the Stock Exchange	3	Yes
Managing Director	Zhen-Xong Jiang	2013.12.02	2013.12.02	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	2013.5.27	2013.5.27	Taiwan Stock Exchange Corporation.	Information Session and Symposium for Functions of Independent Directors of Companies Listed on the Stock Exchange	3	Yes
Director	Jin-Fu Liu	2013.12.02	2012.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes
Director	Yu-Quan Lee	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes
Director	Jeff Lin	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes
Director	Yao-Nan Lai	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes

		Date of	Training				Has the Director or
Title	Name	From	То	Organizer	Course Name	Hours	Supervisor Met the Training Requirements Note
Director	Sue-Feng Tsao	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes
Supervisor	Jia-Yi Wang	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes
Supervisor	Zhen-Lu Lin	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes
Supervisor	Si-Yong Lin	2013.12.02	2013.12.02	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Internal Control and Financial Supervisory)	3	Yes

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

Recordation Date: March 31, 2014 (Shares Holding Recordation Date: April 7, 2013)

Unit: Shares; %

Title	Name	Date Appointed	Shareholding	Minor	ng Under Others'	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other
				Children	Title		Each Other

			Share	%	Share	%	Share	%			Title	Name	Relation
President	LIN, HONG-LIAN (Jeff Lin)	2006.08.02	4,785,171	0.215%	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	295,413	0.013%	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	165,652	0.007%	0	0	0	0	Chinese Culture University; EVP of UBOT	Director of Union Finance & Leasing (International) Co., Ltd.	None	None	None
SEVP	LIU, CHENG-YU (Cheng-Yu Liu)	2010.07.01	10,674	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	8,708	0	0	0	0	0	National Chiao Tung University; VP & Branch Manager of E. Taipei Branch of UBOT		None	None	None
EVP	JEAN, JIA-CHING (Patrick Jean)	2010.10.21	84,110	0.003%	0	0	0	0	National Cheng Chi University VP of UBOT		None	None	None

		Date	Shareho	olding	Shareh of Spo Mir Chile	ouse &	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
EVP & GM of Vehicle Loan Department	HSIEH CHENG-JUH (Cheng-Juh Hsieh)	2011.04.01	238,550	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
EVP & GM of Consumer Banking Dept.	HSIA , KUO – HSIEN (Kuo-Shien Shia)	2005.06.27	8,146	0	8,585	0	0	0		Supervisor of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd.	None	None	None
SVP	CHIEN, HUNG-MING (Peter Chien)	2006.06.26	76,979	0.003%	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	7,416	0	0	0	0	0		Director of Lian-An Service Co. Ltd. & I Pass Corporation.	None	None	None
VP & GM of Consumer Credit Dept.	TANG, PI-CHIU (Joy Tang)	2004.03.22	43,416	0.001%	0	0	0	0	Master's Degree, Memphis State University; VP & Deputy GM of Consumer Banking Dept.		None	None	None

		Date	Shareh	olding		ouse &	ng Ot	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & GM of Trust Dept.	TSAI, HANN-TSAU (Hann-Tsau Tsai)	2006.06.22	201,620	0.009%	1,716	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	5,899	0	0	0	0	0		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	58,340	0.002%	0	0	0	0	Feng Jia University Manager of Union Bills Finance Corp.		None	None	None
VP & GM of Treasury Dept.	TANG, CHIAN-YANG (Tarsicio Tong)		53,655	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	22,045	0	0	0	0	0	Soochow University VP & Branch Manager of Fucheng Branch		None	None	None

		Date	Shareh	olding	Shareh of Spo Mir Chile	ouse &	ng Ot	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & GM of Corporate Loans Policy & Admin. Dept.	LIU, CHUEH-LING	2013.4.01	12,470	0	0	0	0	0	Master's degree, George Washington University Deputy GM of Corporate Loans Policy & Admin Dept.				
VP & GM of Real Estate Management Dept.	LI, JUN-NAN (Michael Lee)	2004.03.05	5,415	0	0	0	0	0	Master's Degree, National Cheng Chi University; VP & Branch Manager of Hueilong Branch	-	None	None	None
VP & GM of Product Development &Marketing Dept.	SHENG, PI - SHIA (Pauline Sheng)	2008.11.01	9,413	0	0	0	0	0	Tamkang University; VP & Branch Manager of Wenlin Mini Branch	Director of Euroc III Venture Capital. Corp.	None	None	None
VP & GM of Information Technology Dept.	YANG, FENG-JUNG (Luke Yang)	2006.07.01	60,163	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	7,753	0	0	0	0	0	National Chung Hsing University; VP & Deputy GM of Human Resources Dept.		None	None	None
VP & GM of General Affairs Dept.	CHANG, YU-CHANG (Russell YC Chang)	2003.10.01	102,185	0.004%	0	0	0	0	Taiwan Institute of Technology; VP & Deputy GM of General Affairs Dept.		None	None	None

		Date	Shareh	olding	Shareh of Spo Min Chil	ouse &	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & GM of Operations Center	HSUEH, SHU-FENG (Shu-Feng Hsueh)	2005.09.06	10,330	0	1,839	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. Director of I Pass Corporation	None	None	None
VP &GM of International Banking Department	TSENG, MENG -YUN (Connie Tseng)	2010.09.01	5,150	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 & GM of Branch of OBU and Rep. of Hong Kong Rept. Office & Ho Chi Minh Rept. Office	LU, MEI-CHIH (Lisa Lu)	2010.09.01	33,615	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
VP & GM of Business Dept.	YU, LIN-SHENG (Lin-Sheng Yu)	2008.05.05	9,348	0	0	0	0	0	National Taiwan Ocean University; VP & Branch Manager of Luchou Branch	The same	None	None	None

		Date	Shareh	olding	Shareh of Spo Mi Chil	ouse &	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to Other
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Taipei Branch	Jen-Chung Cheng	2013.05.16	5,899	0	0	0	0	0	National Cheng Chi University; VP & Branch Manager of Taoyuan Branch	-	None	None	None
VP & Branch Manager of Taoyuan Branch	Ching-Shou Liu	2013.05.16	13,088	0	0	0	0	0	National Taipei College of Commerce-Open Junior College of Commerce VP & Branch Manager of Taoying Branch	-	None	None	None
VP & Branch Manager of Taichung Branch	Meng-Hsia Wu	2007.11.05	45,582	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	6,086	0	0	0	0	0	Soochow University; VP & Branch Manager of Shuanho Branch		None	None	None
VP & Branch Manager of Chungli Branch	Chang-Yung Chen	2000.08.23	123,136	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

		Date	Shareh	olding		ouse &	ng Ot	reholdi Under thers' Title					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Sanchung Branch	Steven Huang	2007.06.01	15,392	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	23,559	0.001%	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	4,869	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	3,745	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	5,524	0	0	0	0	0	Aletheia University; Manager of En Tie Bank		None	None	None
VP & Branch Manager of Yuanlin Branch	Wen-Jui Chou	2013.04.01	3,539	0	0	0	0	0	Master's Degree, Tamkang University; Branch manager of Minchuan Branch of Bill Finance Dept.		None	None	None

		Date	Shareh	olding		ouse &	ng O	reholdi Under thers' Title					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Jenai Branch	Wendy Chi	2009.11.16	44,169	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	101,259	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	6,180	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	4,845	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	63,331	0.002%	0	0	0	0	National Cheng Kung University- Open Junior College of Commerce; Manager of Kaohsiung Bank		None	None	None
VP & Branch Manager of Shuanho Branch	Chang-Chen Lin	2012.07.09	3,933	0	0	0	0	0	National Taiwan University VP & Deputy Branch Manager of Hsintien Branch		None	None	None

		Date	Sharel	olding	Shareh of Spo Min Chil	nor	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Hueilong Branch	Ru-Ji Cheng	2004.03.05	5,027	0	0	0	0	0	Feng Chia University; VP & Deputy branch Manager of Taoyuan Branch	-	None	None	None
VP & Branch Manager of Chiayi Branch	Liang- Kuei Kuo	2013.08.01	0	0	0	0	0	0	National Yunlin University of Science and Technology; Tainan Branch manager of J.P.Morgan Asset Management	-	None	None	None
VP & Branch Manager of Kungkuan Branch	Fang-Ni Wang	2014.4.1	4,241	0	0	0	0	0	Master's Degree, National Central University; AVP & Division Head of Corporate loans policy& Administration Dept.	-	None	None	None
VP & Branch Manager of Neili Branch	Shen-Yung Peng	2013.04.01	17,966	0	2,291	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	34,307	0.001%	0	0	0	0	Master's Degree, University of Illinois; VP & Branch Manager of Tunghua Mini Branch		None	None	None

		Date	Shareh	olding	Shareh of Spo Mi Chil	ouse &	ng Ot	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Hsinchuang Branch	Jeffery Tsai	2006.06.26	23,107	0.001%	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	6,735	0	0	0	0	0	Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch	Conducting business Shareholder of chinho Co.Ltd.	None	None	None
VP & Branch Manager of Taoying Branch	Jyh-Chiang, Huang	2013.05.16	47,260	0.002%	14,047	0	0	0	National Chiao Tung University VP & Branch Manager of Dajhu Branch	-	None	None	None
VP & Branch Manager of Lungtan Branch	Lawrence Chen	2009.12.01	21,954	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
VP & Branch Manager of Tatze Branch	Tereasa Lin	2009.01.01	4,590	0	0	0	0	0	Chihlee Institute of Technology; Head of Jenai Consumer loan center, Consumer Banking Dept.		None	None	None

		Date	Shareh	olding	Shareh of Spo Min Chil	ouse &	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to other
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Chungshan Mini Branch	Ye-Yan Lin	2013.11.25	3,449	0	0	0	0	0	Taibei High School, Manager of Business Dept.	-	None	None	None
VP & Branch Manager of Wenshin Branch	Amy Chung	2009.01.01	14,438	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	4,682	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	362,567	0.016%	10,648	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	280,132	0.012%	0	0	0	0	Chung Yuan Christian University; VP & Branch Manager of Hoping Branch		None	None	None
VP & Branch Manager of Dayuan Branch	Chu-Shih Wei	2009.04.07	3,745	0	0	0	0	0	Feng Chia University; Manager of Standard Chartered Bank	- RAD	None	None	None

		Date	Shareh	olding	Shareh of Spo Mir Chil	ouse &	ng O	reholdi Under thers' Fitle				Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation	
VP & Branch Manager of Yungho Branch	Hsiu-Yun Su	2005.03.19	3,961	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	30,115	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	3,750	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	3,820	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	Chia-Wei Lin	2013.11.25	2,715	0	0	0	0	0	Tung Hai University; Manager of Sanchung Branch		None	None	None	
VP & Branch Manager of Changchun Branch	Patty Chen	2013.03.21	4,093	0	0	0	0	0	Open Business College Affiliated with National Taipei College of Business Manager of Wealth Management Dept.		None	None	None	

		Date	Shareh	olding	Shareh of Spo Min Chil	ouse &	ng O	reholdi Under thers' Fitle				Managers are Spouse or Within Second-degree of Consanguinity Each Other		
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation	
VP & Branch Manager of Sungchiang Branch	Chien-Lung Chen	2013.11.25	79,932	0.003%	0	0	0	0	Master's Degree, Aletheia University; VP & Branch Manager of Breeze Center Mini Branch	-	None	None	None	
VP & Branch Manager of Taan Branch	Chien-Hui Li	2011.11.01	3,081	0	0	0	0	0	Soochow University; Head of Jenai Loan Center, Consumer Banking Department	-	None	None	None	
VP & Branch Manager of Yungchi Branch	Candy Lin	2011.07.16	23,682	0.001%	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	119,165	0.005%	0	0	0	0	Takming College; VP & Deputy GM of Consumer Banking Dept.		None	None	None	
VP & Branch Manager of Tungmen Branch	Jimy Chou	2007.06.11	4,430	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	3,258	0	0	0	0	0	Lunghwa University of Science and Technology; Head of Nanking E. Rd. Loan Center Consumer Banking Dept.	New York	None	None	None	

		Date	Shareh	olding		ouse &	ng O	reholdi Under thers' Fitle				Managers are Spouse or Within Second-degree of Consanguinity t Each Other		
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation	
VP & Branch Manager of Hsihu Branch	Mary Huang	2006.12.01	3,666	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	12,601	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	100,984	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	3,979	0	0	0	0	0	National Changhua Senior School of Commerce; AVP of Houpu Branch		None	None	None	
VP & Branch Manager of North Chungho Mini Branch	Hedy Wei	2010.08.16	3,285	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	3,581	0	1,482	0	0	0	Takming Junior College of Commerce; Head of Consumer Banking Dept.	- Real	None	None	None	

		Date	Shareh	nolding	Shareh of Spo Min Chil	ouse &	ng O	reholdi Under thers' Fitle				Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation	
VP & Branch Manager of Shulin Branch	Yen-Jou Liu	2012.05.03	5,156	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	20,445	0	210	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	33,356	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	126,117	0.005%	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce; Head of Consumer Banking Dept.		None	None	None	
VP & Branch Manager of North Taichung Branch	Hui-Fen Chao	2005.03.19	68,356	0.003%	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	79,419	0.003%	0	0	0	0	Graduate School of Dayeh University; VP & Branch Manager of Taichung Branch	(EA)	None	None	None	

		Date	Shareh	olding	Shareh of Spo Min Chil	ouse &	ng Ot	reholdi Under thers' Title				Managers are Spouse or Within Second-degree of Consanguinity Each Other		
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation	
VP & Branch Manager of Hsitun Branch	Shih-Yuan Liaw	2005.03.19	3,109	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	12,030	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	19,047	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	35,873	0.001%	0	0	0	0	National Open University; Senior AVP of National Cash Card Dept.		None	None	None	
VP & Branch Manager of East Chiayi Branch	Shan-Chih Yen	2005.03.19	43,744	0.001%	3,030	0	0	0		Supervisor of Zhong-Guan Foods Enterprise Co., Ltd.	None	None	None	
VP & Branch Manager of Fucheng Branch	Hsien-Ming Yen	2009.04.01	4,508	0	0	0	0	0	Feng Chia University; VP & Branch Manager of South Tainan Branch		None	None	None	

		Date	Shareh	olding	Shareh of Spo Mir Chil	ouse &	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Fongyuan Branch	Ta-Yu Chin	2006.12.04	29,691	0.001%	0	0	0	0	Tamkang University; VP & Deputy Branch Manager of Wenshin Branch	-	None	None	None
VP & Branch Manager of Fuchiang Branch	Chin-Chung Kuan	2010.12.06	4,635	0	0	0	0	0	Feng Jia University; Senior Manager, Chinatrust Commercial Bank	-	None	None	None
VP & Branch Manager of Kaiyuan Branch	Roger Chang	2005.03.19	0	0	0	0	0	0	National Open University; Head of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of South Tainan Branch	Yu-Show Hsu	2009.04.01	15,025	0	0	0	0	0	Kun Shan University; Senior AVP of Tainan Branch		None	None	None
VP & Branch Manager of Lingya Branch	Feng-Li Lin	2005.03.19	32,110	0.001%	0	0	0	0	Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch	Director of I Pass Corporation	None	None	None
VP & Branch Manager of North Kaohsiung Branch	Miao-Hui Yeh	2005.03.19	74,013	0.003%	0	0	0	0	Master's Degree, New York University; VP & Deputy Branch Manager of Chiuju Branch		None	None	None

		Date	Shareh	olding	of Spo	ouse &	ng Ot	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Sanmin Branch	Miranda Tsai	2009.08.01	6,723	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	39,117	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	Chi-Fang Chu	2014.03.19	1,404	0	0	0	0	0	Master's Degree, National Kaohsiung First University of Science and Technology; Manager of Pingtung Branch		None	None	None
VP & Branch Manager of Hoping Branch	Tsai-Ling Liao	2011.11.01	0	0	0	0	0	0	Taipei College of Commerce; VP & Branch Manager of Taan Branch		None	None	None
VP & Branch Manager of Yongchun Branch	Wen-Hui Lin	2006.07.19	34,040	0.001%	0	0	0	0	Tamkang University; VP & Deputy Branch Manager of Taipei Branch		None	None	None

		Date	Shareh	olding	Shareh of Spo Mir Chil	nor	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Tenshin Branch	Kuan-Hong Lee	2013.12.01	2,409	0	699	0	0	0	Tamkang University; Head of Jenai Loan Center, Consumer Banking Department	-	None	None	None
VP & Branch Manager of Ankang Branch	Chan-Kwei Chen	2009.12.01	50,403	0.002%	0	0	0	0	Feng Chia University; VP & Branch Manager of Shihtung Branch	-	None	None	None
VP & Branch Manager of Dajhu Branch	Mei-Ling Lee	2013.05.16	13,810	0	0	0	0	0	Hsin Wu Business College, Senior AVP, Dajhu Branch		None	None	None
VP & Branch Manager of Gueishan Branch	Shiu-Ju Huang	2010.12.01	3,617	0	0	0	0	0	Takming College; Senior AVP, Nankan Branch		None	None	None
VP & Branch Manager of Linkou Branch	Shiu-Lan Hsieh	2008.12.04	18,399	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

		Date	Shareh	olding	Shareh of Spo Min Chil	ouse &	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to ther
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Wugu Branch	Chao-Chuen Chuang	2009.11.01	3,132	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	5,150	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	3,933	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	16,955	0	0	0	0	0	National Sun Yat-sen University Senior AVP of Gueishan Branch		None	None	None
VP & Branch Manager of Tucheng Branch	Kun-Cheng Zhou	2010.1.25	5,143	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	4,120	0	0	0	0	0	Feng Jia University; AVP, SME Banking and Risk Management Dept., Standard Chartered Bank		None	None	None

		Date	Shareh	olding	of Spo	olding ouse & nor dren	ng O	reholdi Under thers' Fitle					ouse or Within Consanguinity to Other
Title	Name	Appointed	Share	%	Share	%	Share	%	Education/Experience	Also Serve Concurrently As	Title	Name	Relation
VP & Branch Manager of Jisian Branch	Ming-Chung Guo (Jim Guo)	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
VP & Branch Manager of Sanxia Branch	Chia-Yu Chuo	2013.08.05	3,614	0	0	0	0	0	Master's degree, Yuan Ze University Head of Taoying Loan Center, Consumer Banking Department		None	None	
VP & Branch Manager of Donghu Branch	Chien-Chung Su	2014.01.07	0	0	0	0	0	0	Soochow University, VP & Deputy Branch Manager of Taipei Corporate Banking Center		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, 2013

	1	l								1						JIIIL.	. 111	Don	ai ii	iousa	iiu, D		ber 31,	, 2013
			Dir	ector	s' Re	mun	erat	ion		% 0,	Total (R	.emu	ner	ation	of I	Part-	time	Em	ploy	ees	as a 70	Total of	R
		Remuneration (A)		pension costs (B)	Termination payment and	Remuneration (C)	Director's	Perform Duties(D)	Costs Incurred to	Net profit after tax	Total of (A,B,C and D) as a	Allowance (E)	Salaries, Bonus	pension costs (F)	Termination payment and	(G)	Employees' Bonus	Earnings Distribution for		Option (H)	Total No. of Shares Issued for	or Net brottt ätter tax	Total of (A, B,C,D, E,F & G)	muncration from Invest
Title	Name	The	All Comp Consolidat	The	All Comp Consolidat	The	All Comp Consolidat	The	All Comp Consolidat	The	All Comp Consolidat	The	All Comp Consolidat	The	All Comp Consolidat	I lic Dally	The Rank	Statement	All Companies in the Consolidated	The	All Comp Consolidat	The	All Comp Consolidat	Remuneration from Investee Companies Excluding Subsidiaries
		The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend	Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	g Subsidiarics
Chairman	Shiang-Chang Lee																							266
Independent Managing Director	Kao-Jing Wang																							Nil
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang																							Nil
Independent Director	Zen-Fa Lu																							Nil
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	7,750	7,750	0	0	1,738	1,738	2,566	2,566	0.42%	0.42%	0	0	0	0	0	0	0	0	0	0	0.42%	0.42%	Nil
Director	Yu-Quan Lee	50	50			38	38	66	66	2%	2%)						2%	2%	Nil
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin																							Nil
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai																							Nil
Director	Yu-Pang Investment Co., Representative: Suc-Feng Tsao																							Nil

Note 1: Remuneration to the driver amounted to NT\$744,000.

Remuneration Range

Unit: NT Dollar

		Name	of Directors	
Range of Remuneration	Total of A	,B,C and D	Total of A, B	,C,D, E,F & G
Paid to Directors	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, 2013

										Inti I ti Bo	nai Thousana, B	ecember 51, 2015
					Supervisors'	Remi	ineration			т	otal of	Remuneration
Title	Name	Ren	muneration (A)	pa	Permination ayment and ension costs (B)	Dist	Earning cribution for Director's muneration (C)		sts Incurred Description Perform Duties (D)	(A+B- % of	HC+D) as a Net profit ter tax	from Investee Companies Excluding Subsidiaries
		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	840	840	0	0	487	487	508	508	0.06%	0.06%	Nil
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin											

Remuneration Range

Unit: NT Dollar

	Name of	Supervisors
Range of Remuneration	Total of A	A,B,C and D
Paid to Supervisors	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

President, Senior Executive Vice Presidents & Chief Auditor's Remuneration and Range Unit: NT Dollar Thousand, December 31, 2013

			neration A)	payme	nation ent and on costs 3)	Bont Spe Allow (C	cial vance		Emplo Bonus Earn (I	fron		(A+B- as a Net j	al of +C+D) % of profit r tax	Total I Shares for Emp Stock O	Issued ployee	Remune Companies
Title	Name	The Bank	All Companies Financial State	The Bank	All Compa Financial	TI Ba	All Compa Financial	Bank	The	Financial Statement	All Companies in the	The Bank	All Companies Financial State	The Banl	All Companies Financial State	Remuneration from Investee mpanies Excluding Subsidiaries
		he ınk	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	Investee subsidiaries
President	Jeff Lin															
SEVP	Yin-Bor Chan															
SEVP	Herman Tu	10,612	10,612	0	0	3,629	3,629	0	503	0	503	0.51	0.51	0	0	Nil
SEVP	Cheng- Yu Liu															
Chief Auditor	Kuo- Pao Kang															

Note: Remuneration to the Company's three drivers totalled NT\$ 1,834,000.

Unit: NT Dollar

Range of Remuneration Paid to President, Senior	Name of President, Senior Execu	tive Vice Presidents & Chief Auditor
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 Managers:

Unit NT Dollar Thousand, Dec31 2013

Title	Name	Stock Dividend	Cash dividend	Total	Total as % of Ne Profit after Tax
SEVP	CHAN, YING-PO (Yin-Bor chan)	7642	0	7642	0.20
SEVP & GM of Risk Management Dept.	TU, HER-MAN (Herman Tu)				
SEVP	LIU, CHENG-YU]			
	(Cheng-Yu Liu)				
Chi of A - 1'4	KANG, KUO-PAO				
Chief Auditor	(Kuo-Pao Kang)				
	JEAN,	1			
EVP	JIA-CHING				
	(Patrick Jean)				
EVP & GM of Vehicle	HSIEH CHENG-JUH	1			
Loan Department	(Cheng-Juh Hsieh)				
	HSIA ,	1			
EVP & GM of Consumer Banking Dept.	KUO – HSIEN				
Bunking Dept.	(Kuo-Shien Shia)				
	CHIEN,	1			
SVP	HUNG-MING				
	(Peter Chien)				
VP & GM of	YANG,	1			
Business Planning	CHU-CHANG				
& Admin. Dept.	(Yanger Yang)				
VP & GM of Consumer	TANG,				
Credit Dept.	PI-CHIU				
	(Joy Tang)			- 400	
VP & GM of Trust	TSAI, HANN-TSAU				w .
Dept.	(Hann-Tsau Tsai)				
VP & GM of Wealth	HSU TING-YU				
Management Dept.	(Sophie Hsu)				
VP & GM of Securities Finance Dept.	YANG,				
I manoe Dopt.	HUI-CHIN				

	LEE,	
VP & GM of Bills Finance Dept.	YAO-HSIEN	
Timanee Dept.	(Yao-Hsien Lee)	
VP & GM of	TANG, CHIAN-YANG	
Treasury Dept.	(Tarsicio Tong)	
VP & GM of	KAO,	
Default Loans	YAO-TSUNG	
Management Dept.	(Yan-Tsung Kao)	
VP & GM of Corporate Loans Policy & Admin. Dept.	LIU, CHUEH-LING	
VP & GM of Real Estate	LI, JUN-NAN	
Management Dept.	(Michael Lee)	
GM of Product	SHENG,	
Development	PI - SHIA	
&Marketing Dept.	(Pauline	
	Sheng)	
VP & GM of Information Technology Dept.	YANG, FENG-JUNG	
reemiology Dept.	(Luke Yang)	
VP & GM of Human	LIN, HSIAO-CHEN	
Resources Dept.	(Michael Lin)	
	CHANG,	
VP & GM of General Affairs Dept.	YU-CHANG	
rmans Bopt.	(Russell YC Chang)	
VP & GM of	HSUEH, SHU-FENG	
Operations Center	(Shu-Feng Hsueh)	
	LIN,	
Executive Director of Credit Card Group	YU-TANG	
credit card Group	(Terrence Lin)	
VD & CM of	TSENG,	
VP & GM of International Banking	MENG -YUN	
Department	(Connie Tseng)	
VP & GM of Branch of OBU and Rep. of Hong Kong Rept. Office & Ho Chi Minh Rept. Office	LU, MEI-CHIH	

	(Lisa Lu)
VP & GM of	YU,
Business Dept.	LIN-SHENG
	(Lin-Sheng Yu)
VP & Branch Manager of	
Taipei Branch	Jen-Chung Cheng
VP & Branch Manager of Taoyuan Branch	Ching-Shou Liu
VP & Branch Manager of	
Taichung Branch	Meng-Hsia Wu
VP & Branch Manager of Nanking E. Road Branch	Ching-Wen Chen
VP & Branch Manager of Chungli Branch	Chang-Yung Chen
VP & Branch Manager of Sanchung Branch	Steven Huang
VP & Branch Manager of East Taipei Branch	Zhi-Zhong Zhang
VP & Branch Manager of	Zong-Hul
Kaohsiung Branch	Huang
VP & Branch Manager of Panchiao Branch	Jacky Liao
VP & Branch Manager of Tainan Branch	Ping-Hui Lin
VP & Branch Manager of Yuanlin Branch	Wen-Jui Chou
VP & Branch Manager of Jenai Branch	Wendy Chi
VP & Branch Manager of Nankan Branch	Ching-Chung Lin
VP & Branch Manager of Hsinchu Branch	Denfer Hung
VP & Branch Manager of Luchou Branch	Yeong-Jin Hwang
VP & Branch Manager of Chiuju Branch	Lister Lee
VP & Branch Manager of Shuanho Branch	Chang-Chen Lin
VP & Branch Manager of Hueilong Branch	Ru-Ji Cheng
VP & Branch Manager of Chiayi Branch	Liang-Kuei Kuo
VP & Branch Manager of Kungkuan Branch	Fang-Ni Wang
VP & Branch Manager of Neili Branch	Shen-Yung Peng

VP & Branch Manager of Chunghsiao Branch	Jane Lu
VP & Branch Manager of Hsinchuang Branch	Jeffery Tsai
VP & Branch Manager of Fengshan Branch	Kuen-Yuan
	Tsai
VP & Branch Manager of Taoying Branch	Jyh-Chiang, Huang
VP & Branch Manager of Lungtan Branch	Lawrence Chen
VP & Branch Manager of Hsintien Branch	Shih-Shien Chene
VP & Branch Manager of Tatze Branch	Tereasa Lin
VP & Branch Manager of Chungshan Mini Branch	Ye-Yan Lin
VP & Branch Manager of Wenshin Branch	Amy Chung
VP & Branch Manager of Chienshin Branch	Tawei Shih
VP & Branch Manager of Chungho Branch	Wu-Lien Peng
VP & Branch Manager of Neihu Branch	CM Hwang
VP & Branch Manager of Dayuan Branch	Chu-Shih Wei
VP & Branch Manager of Yungho Branch	Hsiu-Yun Su
VP & Branch Manager of Chungkung Mini Branch	Wen-Chien Chien
VP & Branch Manager of Tonghwa Mini Branch	Mei-Lan Lin
VP & Branch Manager of Shihtung Branch	Kuang-Han Liu
VP & Branch Manager of Breeze Center Mini Branch	Chia-Wei Lin
VP & Branch Manager of Changchun Branch	Patty Chen
VP & Branch Manager of Sungchiang Branch	Chien-Lung Chen
VP & Branch Manager of Taan Branch	Chien-Hui
	Li
VP & Branch Manager of Yungchi Branch	Candy Lin

VP & Branch Manager of Wenlin Branch	Ju-Ling Kuo
VP & Branch Manager of Tungmen Branch	Jimy Chou
VP & Branch Manager of Tunhwa Branch	Gary Tsai
VP & Branch Manager of Hsihu Branch	Mary Huang
VP & Branch Manager of Beitou Mini Branch	Ting-Ting
	Wu
VP & Branch Manager of North Sanchung Branch	Teh-Chin Tsai
VP & Branch Manager of Houpu Branch	Su-Yean Lo
VP & Branch Manager of North Chungho Mini Branch	Hedy Wei
VP & Branch Manager of Fuguo Branch	Shis-Wen Lu
VP & Branch Manager of Shulin Branch	Yen-Jou Liu
VP & Branch Manager of Hsichih Branch	Hung-Min Chen
VP & Branch Manger of North Taoyuan Branch	James Tsai
VP & Branch Manager of North Chungli Branch	Ping-Ching Chiang
VP & Branch Manager of North Taichung Branch	Hui-Fen Chao
VP & Branch Manager of Minchuan Branch	Jeng-Ping Liu
VP & Branch Manager of Hsitun Branch	Shih-Yuan Liaw
VP & Branch Manager of Shingchung Branch	Chiung-Yu O
VP & Branch Manager of Beitun Branch	Chien-Tsung
	Wu
VP & Branch Manager of S. Yuanlin Branch	Wu-Yuan
	Chen
VP & Branch Manager of East Chiayi Branch	Shan-Chih Yen

VP & Branch Manager of Fucheng Branch	Hsien-Ming Yen
VP & Branch Manager of Fongyuan Branch	Ta-Yu Chin
VP & Branch Manager of Fuchiang Branch	Chin-Chung Kuan
VP & Branch Manager of Kaiyuan Branch	Roger Chang
VP & Branch Manager of South Tainan Branch	Yu-Show Hsu
VP & Branch Manager of Lingya Branch	Feng-Li Lin
VP & Branch Manager of North Kaohsiung Branch	Miao-Hui Yeh
VP & Branch Manager of Sanmin Branch	Miranda Tsai
VP & Branch Manager of Wuchia Branch	I-Wen Ho
VP & Branch Manager of Pingtung Branch	Chi-Fang Chu
VP & Branch Manager of Hoping Branch	Tsai-Ling
	Liao
VP & Branch Manager of Yongchun Branch	Wen-Hui Lin
VP & Branch Manager of Tenshin Branch	Kuan-Hong Lee
VP & Branch Manager of Ankang Branch	Chan-Kwei Chen
VP & Branch Manager of Dajhu Branch	Mei-Ling Lee
VP & Branch Manager of Gueishan Branch	Shiu-Ju Huang
VP & Branch Manager of Linkou Branch	Shiu-Lan Hsieh
VP & Branch Manager of Wugu Branch	Chao-Chuen Chuang
VP & Branch Manager of Gaorong Branch	Jung-Hsiang Chung
VP & Branch Manager of Daye Branch	Richard Yang
VP & Branch Manager of Luzhu Branch	Jenny Cheng
VP & Branch Manager of Tucheng Branch	Kun-Cheng Zhou

VP & Branch Manager of South Taoyuan Branch	Chang-Fu Tsai
VP & Branch Manager of	Willig-Cliulig Guo
Jisian Branch	(Jim Guo)
VP & Branch Manager of Sanxia Branch	Chia-Yu Chuo
VP & Branch Manager of Donghu Branch	Chien-Chung Su

- (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
 - A. 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%.
 - B. The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2013 is NT\$28,633,000 and its ratio to net profit after tax is 0.99%.
 - 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 and the employee 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 2013. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s.
Chairman	Shiang-Chang Lee	7	0	100%	
Independent	Kao-Jing Wang	7	0	100%	
Managing Director					
	Chen-Chern Investment Co.,	7	0	100%	
Managing	Representative: Zhen-Xong				
Director	Jiang				
Independent	Zen-Fa Lu	5	2	71.43%	
Director					
Director	Yu-Quan Lee	6	0	85.71%	
Director Union Enterprise Construction Co., Ltd. Representative: Jeff Lin		6	0	85.71%	
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	7	0	100%	
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao	7	0	100%	
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	7	0	100%	

Other supplementary notes:

- 1. 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.
- 2. 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
6 th meeting/8 th Board	Jeff Lin	Donation	Stakeholder	No
7 th meeting/8 th Board	Jeff Lin ,Yao-Nan Lai,, Jin-Fu Liu, Sue-Feng Tsao	Property Rental	Stakeholder	No
8 th meeting/8 th Board	Jeff Lin ,Zhen-Xong Jiang, Yao-Nan Lai,, Jin-Fu Liu, Sue-Feng Tsao	Special Column Reports	Stakeholder	No
10 th meeting/8 th Board	Jeff Lin	Donation	Stakeholder	No

- 3. Measures taken to strengthen the functionality of the Board:
 - (1) The Bank, in accordance with the regulation in Article 14-2 of Securities and Exchange Act, sets two seats of independent directors and enacts "Guideline governing the responsibilities of independent directors in Union Bank of Taiwan Co., Ltd." to adhere. It also formulates "Rules for the conduct of directors meetings in Union Bank of Taiwan Co., Ltd." for following in the execution of meetings. The regulation clearly defines if a director attend a meeting where there might be a conflict of interests involves with the director, he/she should voluntarily excuse himself/herself to the motion and should not participate in the voting, he/she should also not represent other directors in exercise voting rights; all the directors in the Bank must comply with the regulation.
 - (2) The Bank establishes a Salary and Remuneration Committee under the Board of Directors and 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. The status of attendance is as follows:

Title	Name	No. of actual attendance	% of actual attendance	p.s.
Resident Supervisor	Pao-Shing Investment Co., Ltd. Representative: Jia-Yi Wang	7	100%	
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	5	71.43%	
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	6	85.71%	

Other supplementary notes:

- 1. Composition and Responsibilities of Supervisors:
 - (1) Communication between Supervisors and Bank employees or shareholders: The Bank's Supervisors communicate with employees and shareholders from time to time in writing or by telephone and fax. The Bank's official website also provides the avenue for communication between stakeholders and Supervisors. There is also a resident Supervisor to fully render the supervisory function.
 - (2) Communication between Supervisors and Internal Chief Auditor and Independent Accountants: The Bank's Supervisors communicate with internal chief auditor and independent accountants from time to time by correspondence or through telephone. Periodic meetings are convened during the year to discuss the Bank's financial statements, major audit adjustments or revisions to the promulgation of regulations. The meetings ensure sound communication of the relevant matters between the concerned parties.
- 2. Any opinion put forward by the Supervisor(s) shall include the date of the Board Meeting, term, details of the proposal, results of the Board resolution and the Bank's action on handling the Supervisors' opinion:

Board of Directors Meeting Date and Session Jan 30, 2013	Content of the Meeting Reporting of the	Statements of Opinion Departments not	Board of Directors Resolution and Handling The Default Loan
4 th Meeting of 8 th Board of Directors	execution of legal compliance matters for the six months ended December 31, 2012 and the annual legal compliance assessment.	meeting legal compliance requirements as found in the 2012 legal compliance assessment shall take corrective actions and follow-up reviews.	Management Department shall conduct follow-up reviews on departments not meeting the requirements of the 2012 legal compliance assessment; other complying departments shall be subject to inspection where required.
May 8, 2013 6 th Meeting of 8 th Board	Proposed changes to the terms and	Shares were provided by the borrower to	Term 2. shall be revised to "shall issue a letter to all
of Directors	conditions of loans: A Loan-	secure Loan B. It is recommended the	heirs of Ku xx, stating clearing that the Bank shall
	medium-term secured loan in the	amended term shall read 2. "has no intent	only exempt Ku xx from the guarantee liability but has

amount of US\$ 2 million and B Loan- medium-terr loan in the amount of US\$ 4 million, granted to T Co., Ltd.	ro.	not intent of giving up our rights conveyed under the share pledge agreement;" all other motions were passed anonymously.
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(3) Items to be disclosed in Accordance with "Principles Governing Corporate Governance Practices of Banks": Please Refer to the Bank's Official Website: http://www.ubot.com.tw

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

	e i ractices of Bariks and giving reasons.	
Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
 The Bank's shareholder structure and shareholder equity Ways in which the Bank handles shareholders' recommendations or disputes. Ways in which the Bank regularly monitors the list of key shareholders who have management control of the Bank, or those who have ultimate control of key shareholders. Ways in which the Bank establishes proper risk control mechanisms and firewalls between the Bank and its affiliated enterprises. 	 Shareholders' suggestions and disputes are handled by the Bank's designated personnel, who may refer the issue to the relevant departments to address. 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. 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. 	No material discrepancy
Composition and responsibilities of Board of Directors: Institution of Independent Directors. Regular evaluation of external auditors' independence.	 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 & Job Scope of Independent Directors' to adhere. The Board of Directors evaluates, on a regular basis, the independence status of the Bank's external auditors. 	No material discrepancy

Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
3. Establishment of communication channels with stakeholders	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.	No material discrepancy.
 4. Information Disclosure (1)Establishment of corporate website to disclose information regarding the Bank's financials, business and corporate governance status.(2)Other information disclosure channels (e.g. English website, designating particular person to handle information collection and disclosure, appointing spokesperson, webcasting investor conference) 	 The Bank has regularly disclosed financial and corporate governance status in the Bank's website (Web address: http://www.ubot.com.tw), and will disclose related information following the relevant regulations of the competent authority. Information Disclosure Method A designated department is to take charge of the collection and disclosure of information on the Bank's website. 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. 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". 	No material discrepancy.

Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
5. The execution status of other functional committee established by the bank	 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. The Bank has established the supervisor system. "Rules Governing the Duties and Powers of Supervisors" were formulated and adopted in the general shareholders' meeting held on June 22, 2012. Pursuant to Jin-Kuan-Zheng-Fa Order No. 10200531121 issued by the Financial Supervisory Commission on December 31, 2013, the Bank may establish an Audit Committee to replace supervisors upon expiration of the term of office of current directors and supervisors. 	No material discrepancy.
6. Please describe discrepanci	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.	

6. Please describe discrepancies between the status of the Bank's corporate governance practices and the "Standard Corporate Governance Practices for Banks" and

(1) In general, the Bank's corporate governance has no major deviation from the Standard Corporate Governance Practices.

(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. 1020531121 issued by the Financial Supervisory Commission on December 31, 2013.

		Discrepancy, if any, with Best Corporate
Item	Implementation Status	Governance
		Practices of Banks
		and Reasons
7 Other important information	l n that helps understand the Bank's corporate governance s	

- 7. 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):
 - (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.
 - (2) Investor relations: The Bank has set up an investors relationship window for a smooth communication channel.
 - (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.
- (4)Directors and Supervisors' training records: the Bank's directors and supervisors have taken related trainings of practical operation and company governance. The record may be accessed on the Market Observation Post System (http://newmops.tse.com.tw) and is included in the annual report.
- (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).
- (6)The implementation of customers protection policies:

 Customers may offer comments or lodge complaints on the website. The Bank's responsible department will re-direct the issues to the relevant department for handling and follow-up. The Bank has also put in place the "Criteria and Operational Regulations Governing the Management of Suspected Illegal or Abnormal Deposit Account" and the "Organization of the Customer Dispute Processing Team & Procedures for Handling Customer Disputes" to protect the rights of customers. Take the initiative to care and effectively remind customers to prevent the suffering of loss from being cheated.
- (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.
- (8) Donation to Political Parties, Related Parties and Charitable Foundations:
 - a. 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 2013, the Bank offered a total of NT\$ 4,144,530 in sponsorship money to these events.
 - b. 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 2013, the Bank offered a total of NT\$ 2,000,000 in sponsorship money to these events.
 - c. The Bank provided sponsorship for the "Kaohsiung Rapid Transit Autumn Moon Feast" and "Winter Warmth and Happiness" events hosted by the "Kaohsiung Rapid Transit Corporation" to partner with KRTC in launching the new happiness events. In 2013, the Bank offered a total of NT\$ 400,000 in sponsorship money to these events.
 - d. The Bank was the organizer of the "Charitable Wealth Management Camp for Children" and the "Reward Points to Support School Meals" campaign. The camp program consisted of fund raising activities and points redeemed as donation amounting to NT\$ 70,000. The full sum was donated to the "Nantou County Government Local Education Development Fund" to fund school meals.

Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance
		Practices of Banks and Reasons

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.

(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	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	p.s. (Note 3)				
	Name	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	companies	
Independent Director	Zen-Fa Lu		V		V	V	V	V	V	V	V	V	0	qualified
Other	Lee, Hau-Sen			>	V	V	V	V	V	V	V	V	0	
Other	Lee, Tzung-Hang	V			V	V	V	V	V	V	V	V	0	

- 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 "V" 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 third-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.

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 2013. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s.
Convenor	Zen-Fa Lu	2	0	100%	
Commissioner	Lee, Hau-Sen	1	0	50%	
Commissioner	Lee, Tzung-Hang	1	0	50%	

Other Necessary Notes:

- 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.

(6) Fulfillment of Corporate Social Responsibilities:

(0) Tullillillent of Corpora		
Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
 Exercising Corporate Governance: Formulation of the corporate social responsibility policies or systems and review of the status and results of implementation. 	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.	
(2) Establishment of an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies or systems.	2. According to the Bank's Articles of Incorporation, the Business Planning & Administration Department centrally handles the Bank's management policy, while the Product Development & Marketing Dept. is responsible for formulating and carrying out the various	The Bank's actual operation status is basically complying with the key spirits
(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.	public welfare events. The Bank makes arrangements for its directors and supervisors on a periodic basis each year to attend corporate governance training courses run by external training agencies. All employees of the Bank are also required to attend the "Law Compliance Workshop". The Bank also organizes a session of "Anti-money Laundering and Confidentiality" educational seminar and tests semi-annually. It is clearly stipulated in the Bank's "Employee Promotion & Appraisal Criteria of the Personnel Management Policy" the relevant training courses required for promotion and appraisal of employees. The "Criteria for Handling Employee Merit/Disciplinary Incidents" was also put in place to govern the related system.	of the rules in "TWSE/GTSM Listed Companies Corporate Social Responsibility Code of Practice", there is no significant difference.

- 2. Fostering a Sustainable Environment:
- (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.
- (2) Establishment of proper environment management systems based on the characteristics of its industry.
- (3) Establishment of a dedicated unit or assignment of dedicated personnel for environment management to maintain the environment.
- (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.
- 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. The Bank participated in the "Green Procurement by Private Enterprises and Groups" campaign launched by the Department of Environmental Protection, Taipei City Government in 2012 and 2013; and was actively involved in the promotion of green procurement activities. Our outstanding effort was evidenced by the certificate of merit received from the organiser.
- 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.
- 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.
- 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.

No discrepancy.

- 3. Preserving Public Welfare
- (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.
- (2) Providing safe and healthful work environments and training on safety and health for employees on a regular basis.
- (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.
- (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.
- (5) Collaborating with suppliers to jointly fulfil corporate social responsibilities.
- (6) Involving in community development and public welfare events through commercial activities, non-cash property endowments, volunteering service or other free professional services.

- 1. The Bank's "The Rules of Employment" and "Personnel Management Policy" both satisfy the provisions of the labor standard laws and regulations.
- 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.
- 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.
- 4. The Bank has set up a dedicated customer complaint hotline and provided for customers to lodge a compliant 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.

No discrepancy.

- 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)
- 6. The Bank has a long-term involvement in school or community development events through the various social charitable events including: In 2013, the Bank adopted the flower beds of Luchou Primary School and community parklands to fund the maintenance expense; hosted a charity fair for Mother's Day and the "Charitable Wealth Management Camp for Children", inviting children from orphanages to attend the event for free. The Bank also gave donation for charitable causes and made donation directly to children's passbook account as well as launched the "Reward Points to Support School Meals" campaign.

- 4. Enhancing Disclosure of Corporate
 Social Responsibility(CSR)
 Information:

 (1) Methods by which the Bank disclosure of Corporate Social Responsibility (CSR)
- Methods by which the Bank discloses the relevant and reliable corporate social responsibility information.
- (2) Disclosure of results of implementing corporate social responsibility initiatives in the CSR Report.
- 1. The Bank currently does not have in place a set of "Corporate Social Responsibility Principles", but the relevant information and charitable activities is disclosed in this report.

No discrepancy.

- 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", but the fulfilment of corporate social responsibilities is a central part of our corporate culture. We uphold the belief of "giving back to the society what we have benefited from it and are dedicated to promoting the various charitable events on a long-term basis as a way of fulfilling our corporate social responsibilities.
- 6. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices (e.g., environmental protection, community involvement, social contribution, social work, social welfare, consumer rights, human rights, safety and hygiene and the adopted policies and measures to fulfill corporate social responsibilities and the status of performing such responsibilities): please refer to Corporate Responsibility and Ethical conduct in section: Operational Highlights.
- 7. If any of the Bank's products or the CSR Report has been accredited to the standards of an external validation agency, provide details: None.

(7) Fulfillment of ethical Management and Adopted measures:

Item	Implementation Status	Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
 Formulate the Policy and Procedures for Ethical Management 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. 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. 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 	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 responisble 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.	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.

- prevent the offering and acceptance of bribes and offering illegal political donations.
- 2 Implementation of Ethnical Management
- (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.
- (2) Operations of the Bank's corporate ethnical management unit and supervision by the board of directors.
- (3) Stipulation of the policy to prevent conflict of interest and to offer appropriate channels for providing a statement in regard to the situation.
- (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.
- 3 Implementation of the system/channel for receiving reports on unethical conduct and the disciplinary and complaint mechanism for breach of ethnical management regulations established by the Bank.
- 4 Enhance Information Disclosure
- (1) The Bank sets up a website to disclose related information on ethical management.
- (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).
- 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 "Work Rules" approved by the Bank's Board of Directors set out ethical management principles that govern the conduct of employees. Under the principles, employees are required to carry out their duties ethically and dutifully and comply with regulatory requirements and policies, procedures and service standards prescribed by the Bank. The company shall be managed in accordance with regulatory requirements and internal procedures to maximise investor benefits.
- 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 ethnical management principles): The Bank offers directors opportunities to receive further education or training on corporate governance topics to enhance their professional competence.
 - (8) Corporate governance principles and methods for searching the relevant regulations: The Bank has not stipulated procedures to handle major internal information. However, all processes related to the prevention of insider trading are handled in accordance with regulatory requirements.

- (9) Other rules and regulations setup of Union Bank of Taiwan: refer to http://mops.twse.com.tw
- (10) Other material information sufficient to enhance understanding of the status of the Bank's corporate governance practices: refer to our website http://www.ubot.com.tw
- (11) 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:



Statement of Internal Controls System

March 20, 2014

To Financial Supervisory Commission:

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2013 to December 31, 2013, 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

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Chief Auditor: Kuo-Pao Kang



Compliance Officer of the Bank Yan-Tsung Kao



Attachment Internal Control Deficiencies and Improvement Plan

Attachment Internal Control Deficiencies and Improvement Plan				
Deficiency	Improvement Plan	Estimated		
		Completion Date		
The incident involving	In our letter No. 213 dated	Completed on October 25,		
embezzlement of a client's	September 14, 2013, the Bank has	2013		
funds for payment of credit	restated the importance of			
card bills and fuel tax by an	compliance with the various			
employee of Shingchung	operational procedures by the			
branch was not handled	respective business units and			
appropriately.	internal management. Supervisors			
	are requested to supervise and			
	review the processes to prevent loss			
	that may result from operational			
	risks and adverse effect on the			
	quality of the Bank's services.			
	The Bank also organised "Internal			
	Audit Self-Assessment Workshop"			
	in Taipei, Taoyuan, Taichung and			
	Kaohsiung on September 27,			
	October 4, October 18 and October			
	25, 2013 respectively. The			
	workshop emphasized training on			
	the collection of public utility bills			
	and taxes on behalf as an agent. The			
	attendees of the workshop would			
	then able to give training to other			
	employees of the branches after			
	attending the workshop.			

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

	Disclosed Matter	Major Deficiency	Status of Improvement
the	sponsible person or employees of Bank violated the law when inducting business and resulted in indictment by a prosecutor.		None

	Disclosed Matter	Major Deficiency	Status of Improvement
(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
(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

- (13) 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 2013 and their Implementation Status
 - a. Annual Accounts for 2012: Resolution Approved.
 - b. Appropriation of 2012 Earnings: Resolution Approved.
 - c. The proposal to increase capital by capitalization of earnings and issuance of new shares: resolved to adopt the proposal.

- B. Major Resolutions of Board Meetings During 2013 up to the Date of Printing of the Annual Report:
- a. In the 4th meeting of the 8th Board of Directors held on January 30, 2013, the directors resolved to approve the 2013 management strategies and the various business policies and budgets.
- b. In the 5th meeting of the 8th Board of Directors held on March 20, 2013, the directors resolved to approve the "2012 business report and financial reports", "2012 earnings appropriation" and "capital increase by capitalizing earnings and employee bonuses (appropriation of NT\$1,858,245,080".
- c. In the 6th meeting of the 8th Board of Directors held on May 8, 2013, the directors resolved to approve the "Independence of CPAs and CPA Fees".
- d. In the 7th meeting of the 8th Board of Directors held on July 17, 2013, the directors resolved to set "August 12, 2013 to be the record date for distribution of stock dividends by capital increase and issuance of new shares".
- e. In the 8th meeting of the 8th Board of Directors held on August 23, 2013, the directors resolved to approve the "Public offering of the Bank's shares through private-placement" and "Individual Financial Statements for the period ended June 30, 2013 audited by independent accountants and consolidated financial statements for the same period reviewed by independent accountants".
- f. In the 9th meeting of the 8th Board of Directors held on November 6, 2013, the directors approved the proposal to issue subordinate debt for a total amount up to NT\$ 5 billion (incl.) for maturities between 5.5 years (incl.) and 10 years (incl.).
- g. In the 11th meeting of the 8th Board of Directors held on January 22, 2014, the directors resolved to approve the "2014 management strategies and the various business policies and budgets".
- h. In the 12th meeting of the 8th Board of Directors held on March 19, 2014, the directors resolved to approve the following motions: "Articles of Incorporation", "Operational Guidelines for Related Party Transactions Other Than Loans", "Segregation of Responsibilities for Internal Assessment of Accounting Affairs", "Procedures for Acquisition and Disposal of Assets" and renaming "Regulations Governing the Election of Directors and Supervisors" to "Regulations Governing the Election of Directors" as well as revision to parts of the regulations.
- i. In the 12th meeting of the 8th Board of Directors held on March 19, 2014, the directors resolved to approve the "2013 business report and individual financial statements (including consolidated financial statements) audited by independent accountants", "2013 earnings appropriation proposal" and "capital increase through capitalization of earnings and employee bonuses (provision of \$2,283,020,875)".
- j. In the 13th meeting of the 8th Board of Directors held on May 7, 2014, the directors approved the "Independence of CPAs and CPA Fees".
- (14) 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.
- (15) 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	January ~ December 2013	

CPA Professional Fees Bracket

In NT\$ thousand

Type of Fees Fees Bracket		Audit Fees	Non-audit Fees	Total
1	Under 2,000		V	
2	2,000 (incl.) ~4,000			
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; None
- (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: None.
- 6. The Chairman, President and Executive Officers in charge of the Bank's financial or accounting affairs who have, during the past year, served a position in the CPA firm to which or its affiliated enterprises the independent auditor(s) belong to: None.
- 7. 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

		2013		April 7, 2014	
Title	Name	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	96983,	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.	6,530,605	0	0	0
Director	Chen-Chern Investment Co., Ltd.	8,982,508	0	0	0
Director	Yu-Pang Co., Ltd.	2,728,095	0	0	0
Director	Chi-Shun Investment Co., Ltd.	6,686,752	0	0	0
Managing Director	Chen-Chern Investment Co., Ltd.	9,982,508	0	0	0
Director	Yu-Quan Lee	525,816	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	6,535,184	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	6,535,184	0	0	0
Supervisor	Pai-Sheng Investment Co., Ltd.	9,553,782	0	0	0
President	Jeff Lin	401,942	0	0	0
SEVP	Yin-Bor Chan	37,851	0	0	0
SEVP	Herman Tu	26,779	0	0	0
SEVP	Cheng-Yu Liu	10,674	0	0	0
Chief Auditor	Kuo-Pao Kang	8,708	0	0	0
EVP	Patrick Jean	15,998	0	0	0
EVP	Hsia, Kuo-Hsien	8,146	0	0	0
EVP	Cheng-Juh Hsieh	30,329	0	0	0
Manager	Michael Lin	7,753	0	0	0
Manager	Wu-Lien Peng	36,617	0	0	0
Manager	Lin-Sheng Yu	5,416	0	0	0
Manager	Kuang-Han Liu	3,820	0	0	0
Manager	Chan-Kwei Chen	8,556	0	0	0
Manager	Jeng-Ping Liu	(20,302)	0	0	0
Manager	Wendy Chi	8,170	0	0	0
Manager	Ching-Shou Liu	8,659	0	0	0
Manager	Chien-Hui Li	3,081	0	0	0
Manager	Jen-Chung Cheng	5,899	0	0	0
Manager	Patty Chen	2,830	0	0	0
Manager	Su-Yean Lo	3,979	0	0	0
Manager	Ru-Ji Cheng	4,538	0	0	0
Manager	Liang-Kuei Kuo	0	0	0	0
Manager	Hann-Tsau Tsai	22,287	0	0	0
Manager	Chang-Yung Chen	16,222	0	0	0

	Name	2013		April 7, 2014	
Title		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Wen-Chien Chien	6,195	0	0	0
Manager	Chia-Yu Chuo	3,287	0	0	0
Manager	Joy Tang	7,313	0	0	0
Manager	Luke Yang	11,400	0	0	0
Manager	Buo-Cheng Lee	9,848	0	0	0
Manager	Fang-Ni Wang	4,241	0	0	0
Manager	Kuen-Yuan Tsai	5,582	0	0	0
Manager	Jacky Liao	3,745	0	0	0
Manager	Rong-Hui Huang	4,869	0	0	0
Manager	Ting-Ting Wu	3,648	0	0	0
Manager	Jane Lu	7,362	0	0	0
Manager	Hedy Wei	2,882	0	0	0
Manager	Yu-Hsiu Hsu	5,271	0	0	0
Manager	Peter Chien	20,722	0	15,000	0
Manager	Shih-Shien Chene	0	0	0	0
Manager	Russell YC Chang	14,024	0	0	0
Manager	Chang-Chen Lin	3,933	0	0	0
Manager	Gary Tsai	3,258	0	0	0
Manager	Mei-Lan Lin	3,230	0	0	0
Manager	Yao-Tsung Kao	7,340	0	0	0
Manager	Chu-Shih Wei	3,745	0	0	0
Manager	Sophie Hsu	5,899	0	0	0
Manager	Michael Lee	4,914	0	0	0
Manager	Ching-Chung Lin	13,059	0	0	0
Manager	Denfer Hung	6,180	0	0	0
Manager	Chien-Lung Chen	10,723	0	0	0
Manager	Tawei Shih	4,682	0	0	0
Manager	Shu-Feng Hsueh	4,038	0	0	0
Manager	Lawrence Chen	6,312	0	0	0
Manager	Yeong-Jin Hwang	4,845	0	0	0
Manager	Meng-Hsia Wu	7,335	0	0	0
Manager	Chien-Chung Su	0	0	0	0
Manager	Hui-Chin Yang	0	0	0	0
Manager	Ye-Yan Lin	3,025	0	0	0
Manager	Ching-Wen Chen	6,086	0	0	0
Manager	Chih-Chung Chang	5,890	0	0	0
Manager	Lanny Liaw	0	0	0	0
Manager	Yen-Jou Liu	3,967	0	0	0
Manager	Pauline Sheng	5,481		0	
Manager	Jimy Chou	3,802	0		0
Manager	Shen-Yung Peng	6,086	0	(6,000)	0
Manager	Mary Huang Terrence Lin	3,666	0	0	0
Manager		0	0	0	0
Manager	Teh-Chin Tsai	8,509	U	U	U

	Name	2013		April 7, 2014	
Title		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Huang-Wen Huang	6,953	0	0	0
Manager	Hsiu-Yun Su	3,961	0	0	0
Manager	Shis-Wen Lu	3,581	0	0	0
Manager	Kuan-Hong Lee	2,191	0	0	0
Manager	Hung-Min Chen	396	0	0	0
Manager	James Tsai	7,391	0	0	0
Manager	Ping-Ching Chiang	15,650	0	0	0
Manager	Hui-Fen Chao	10,527	0	0	0
Manager	Chia-Wei Lin	2,715	0	0	0
Manager	Shih-Yuan Liaw	3,109	0	0	0
Manager	Chiung-Yu O	3,663	0	0	0
Manager	Chien-Chung Wu	4,104	0	0	0
Manager	Wu-Yuan Chen	5,986	0	0	0
Manager	Shan-Chih Yen	6,642	0	0	0
Manager	Ta-Yu Chin	6,096	0	0	0
Manager	Chi-Fang Chu	1,404	0	0	0
Manager	Candy Lin	4,806	0	0	0
Manager	Roger Chang	3,183	0	(3,183)	0
Manager	Hsien-Ming Yen	4,508	0	0	0
Manager	Feng-Li Lin	6,942	0	0	0
Manager	Miao-Hui Yeh	9,647	0	0	0
Manager	CM Huang	28,625	0	0	0
Manager	I-Wen Ho	7,659	0	0	0
Manager	Jeffery Tsai	7,507	0	0	0
Manager	Ju-Ling Kuo	13,868	0	0	0
Manager	Wen-Hui Lin	6,633	0	0	0
Manager	Miranda Tsai	4,365	0	0	0
Manager	Kuen-Cheng Chou	4,720	0	0	0
Manager	Jyh-Chiang Huang	9,536	0	0	0
Manager	Jenny Cheng	4,456	0	0	0
Manager	Wen-Jui Chou	3,539	0	0	0
Manager	Ping-Hul Lin	5,524	0	0	0
Manager	Shiu-Lan Hsieh	5,919	0	0	0
Manager	Tereasa Lin	4,300	0	0	0
Manager	Amy Chung	4,471	0	0	0
Manager	Yao-Hsien Lee	10,825	0	0	0
Manager	Chao-Chuan Chuang	3,132	0	0	0
Manager	Jung-Hsiang Chung	5,150	0	0	0
Manager	Richard Yang	3,933	0	0	0
Manager	Chang-Fu Tsai	4,120	0	0	0
Manager	Connie Tseng	5,150	0	0	0
Manager	Lisa Lu	7,112	0	0	0
Manager	Shiu-Ju Huang	3,219	0	0	0
Manager	Chin-Chung Kuan	4,635	0	0	0

		20:	13	April 7	7, 2014
Title	Name	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Ming-Chung Guo	0	0	0	0
Manager	Mei-Ling Lee	4,916	0	0	0
Manager	Yanger Yang	7,416	0	0	0
Manager	Tarsicio Tong	11,295	0	0	0
			0	0	
Manager	Chueh-Ling Liu	5,958			0
Major Shareholder	Tsong-Li Investment Co., Ltd.	14,313,345	0	60,000	0
Major Shareholder	Pai-Sheng Investment Co., Ltd.	9,553,782	0	0	0
Major Shareholder	Tien-Sheng Investment Co., Ltd.	9,303,548	0	0	0
Major Shareholder	Chen-Chern Investment Co., Ltd.	8,982,508	0	0	0
Major Shareholder	Chien-Tuan Investment Co., Ltd.	8,661,203	0	0	0
Major Shareholder	Wei-Chih Investment Co., Ltd.	8,016,954	0	0	0
Major Shareholder	Chuo-Pao Investment Co., Ltd.	7,802,209	0	0	0
Major Shareholder	Kun-Che Investment Co., Ltd.	7,185,094	0	0	0
Major Shareholder	Jan-Pang Investment Co., Ltd.	6,922,186	0	0	0
Major Shareholder	Chi-Shun Investment Co., Ltd.	6,686,752	0	0	0
Major Shareholder	Pao-Shing Investment Co., Ltd.	6,535184	0	0	0
Major Shareholder	Union Enterprise Construction Co., Ltd.	6,530,605	0	0	0
Major Shareholder	Hung-Hsiang Investment Co., Ltd.	6,467,224	0	0	0
Major Shareholder	Horng-Gow Investment Co.,Ltd.	6,048,504	0	0	0
Major Shareholder	Bai-Ing Investment Co., Ltd.	5,958,576	0	0	0
Major Shareholder	Chen-Sheng Investment Co., Ltd.	5,606,884	0	0	0
Major Shareholder	Lin, Chang Su-O	5,574,251	0	0	0
Major Shareholder	Lin Rong San Foundation of Culture and Social Welfare	4,960,889	0	0	0
Major Shareholder	Horng-Pern Construction Co., Ltd.	4,255,326	0	0	0
Major Shareholder	Horng-Pang Construction Co., Ltd.	3,601,013	0	0	0
Major Shareholder	Union Recreation Enterprise Co., Ltd.	3,159,199	0	0	0
Major Shareholder	Yu-Pang Co., Ltd.	2,728,095	0	0	0

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

Information on Share Pledge: Not applicable as there is no change on the share pledge. (3)

Information for Top 10 Shareholders Being the Related Parties April 7, 2014 Unit: Shares ; %

	April /, 2014 Unit: Shares; %							
Shareholder ^(Note 1)	Shareholding		Spouse or minor children's shareholding		Top 10 shareholder s 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	170,462,179 0	7.69% 0		- -	-			
Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	113,738,978 247,898	5.13% 0.01%	1,282,832	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	110,759,716 3,024	4.99% 0		-		-		
Chen-Chern Investment Co., Ltd. Representative: Chung- Yu Lee	106,937,889 97,885	4.82%						
Chien-Yuan Investment Co., Ltd. Representative: C.C. Chang	103,112,716 478,592	4.65% 0.02%		-		-		

Shareholder (Note 1)	Shareholding		Spouse or minor children's shareholding		Top 10 shareholder s being the related parties to each other		Name of and Relationship Between the Top Ten Shareholders Being A Related Party as Defined in Statements of Financial Accounting Standards No. 6	
	Shares (Preferred Stock Included)	%	Shares	%	Shares	%	Name	Relation
Wei-Chih Investment Co., Ltd. Representative: S.S. Yeh	95,442,846 0	4.30%	-	-	-	-	-	
Chu-Pao Investment Co., Ltd. Representative: Si-Yong Lin	92,886,279 247,898	4.19% 0.01%	1,282,832	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	85,539,449 224,287	3.85% 0.01%	-	-	-	-	-	-
Jen-Pang Construction Co., Ltd. Representative: Lin Chang Su-O	82,409,504 66,362,158	3.71% 2.99%	-	-	-	-	-	-
Chi-Shun Investment Co., Ltd. Representative: Jyh-Dong Chen	76,606,623 273,699	3.59% 0.01%	-	-	-	-	_	-

9. Ownership of Investee Companies

December 31, 2013 Unit: Shares; %

Investee Companies Note	Invested by the Bank (A)		Directors, S Executive of Directly of Controllect the S	ents from Supervisors, Officers and Indirectly Entities of 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%

Investee Companies Note	Invested by the Bank (A)		Directors, S Executive O Directly of Controlled the I	ents from Supervisors, Officers and r Indirectly I Entities of Bank B)	Total Investments (C=A+B)	
	Shares	%	Shares	%	Shares	%
Union Finance and Leasing Int'l Corp.	70,000,000	100.00%	0	0.00%	70,000,000	100.00%
Union Securities Investment Trust Corp.	10,500,000	35.00%	2,595,656	8.65%	13,095,656	43.65%
Union Insurance Broker Company	500,000	100.00%	0	0.00%	500,000	100.00%
Union Real-Estate Management Corp.	2,000,000	40.00%	1,450,000	29.00%	3,450,000	69.00%
Taiwan Asset Management Corp.	7,500,000	0.57%	0	0.00%	7,500,000	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	1,650,000	5.00%	0	0.00%	1,650,000	5.00%
Jiao Da Venture Corporation	133,810	5.00%	0	0.00%	133,810	5.00%
Taiwan Depository & Clearing Corp.	814,851	0.25%	0	0.00%	814,851	0.25%
Taiwan Futures Exchange Co., Ltd.	5,789,731	2.04%	0	0.00%	5,789,731	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.

1. Capital and Shares (1) Sources of Capital

	(1)	Authorize	-	Paid-in	Capital	Remark	
Date	Issued Price	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	12,816,000,000	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	
Aug 2013	10	3,000,000,000	30,000,000,000	2,216,525,121	22,165,251,210	Capital Increase Via Return Earning & Bonus Share	

Type of Shares		D 1		
Type of Shares	Issued Shares	Unissued Shares	Total	Remark
Common Stock	2,216,525,121	783,474,879	3,000,000,000	Listed shares

(2) Shareholder Composition

April 7, 2014

Shareholder Composition Amount	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	4	0	81	28,308	104	28,497
No. of Shares Held	2,229,630	0	1,731,822,461	416,746,796	65,726,234	2,216,525,121
% of Shareholding	0.1	0	78.13	18.80	2.97	100%

(3) Distribution of Shareholding (Preferred Stock Included)

Par value per share NT\$10; April 7, 2014

		1 4	value per share 101910, April 7, 2014
Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	13,421	3,848,817	0.17%
1,000 ~ 5,000	7,306	16,416,870	0.74%
5,001 ~ 10,000	2,192	15,780,953	0.71%
10,001 ~ 15,000	2,998	33,733,592	1.52%
15,001 ~ 20,000	478	8,478,491	0.38%
20,001 ~ 30,000	548	13,105,580	0.59%
30,001 ~ 50,000	465	18,339,721	0.83%
50,001 ~ 100,000	474	33,177,733	1.50%
100,001 ~ 200,000	285	37,776,835	1.70%
200,001 ~ 400,000	163	46,249,691	2.09%
400,001 ~ 600,000	45	21,506,087	0.97%
600,001 ~ 800,000	23	16,259,651	0.73%
800,001 ~ 1,000,000	11	9,852,935	0.45%
Over 1,000,001	88	1,941,998,165	87.62%
Total	28,497	2,216,525,121	100.00%

(4) Major Shareholders

		April 7, 2014
Shares Major Shareholders	No. of shares Held	% of shareholding
Tsong-Li Investment Co., Ltd.	170,462,179	7.69%
Pai-Sheng Investment Co., Ltd.	113,738,978	5.13%
Tien-Sheng Investment Co., Ltd.	110,759,909	4.99%
Chen-Chern Investment Co., Ltd.	106,937,889	4.82%
Chien-Yuan Investment Co., Ltd.	103,112,716	4.65%
Wei-Chih Investment Co., Ltd.	95,442,846	4.30%
Chu-Pao Investment Co., Ltd.	92,886,279	4.19%
Kun-Che Investment Co., Ltd.	85,539,449	3.85%
Jen-Pang Construction Co., Ltd.	82,409,504	3.71%
Chi-Shun Investment Co., Ltd.	79,606,623	3.59%

Pao-Shing Investment Co., Ltd.	77,802,192	3.51%
Union Enterprise Construction Co., Ltd.	77,747,674	3.50%
Hung-Hsiang Investment Co., Ltd.	76,993,115	3.47%
Horng-Gow Construction Co., Ltd.	72,008,210	3.24%
Bai-Ing Investment Co., Ltd.	70,937,602	3.20%
Chen-Sheng Investment Co., Ltd.	66,750,666	3.01%
Lin, Chang Su-O	66,362,158	2.99%
Lin Rong San Foundation of Culture and Social Welfare	59,060,023	2.66%
Horng-Pern Construction Co., Ltd.	50,660,178	2.28%
Horng-Pang Construction Co., Ltd.	42,870,513	1.93%
Union Recreation Enterprise Co., Ltd.	37,610,671	1.69%
Yu-Pang Co., Ltd.	32,478,318	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	2012	2013	Mar 31,2014
36.1	Highest		11.15	11.95	11.25
Market price per share	Lowest		8.90	10.30	10.60
per sime	Average		10.24	11.06	
Net Worth per	Before Dis	tribution	11.90	12.82	13.37 ^{Note5}
share			11.23	Note4	-
Earning per	Weighted Average Shares		1,910,527	2,199,674	
share	Earning Per Share(NT\$)		1.28	1.30	0.32 Note5
	Cash Divid	lends	Perferred stock 0.6 /per share	Note4	-
Dividend per	Stock	Dividends from retained earning	0.917	Note4	-
share	Dividends	Dividends from capital reserve	-		
	Accumulat	ted Dividends			
	Price/Earning Ratio ^{Note1}		8.00	7.26	8.53
Return on investments	Price/Divid	dend Ratio Note2			-
mivestments	Cash divid	ends yield rate Note3	-		-

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 2014 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 2013 earnings will be confirmed when it is passed by a resolution at the 2014 Shareholders' meeting.
- 5. Net worth per share and earnings per share, expect for financials of 2013, have been audited by independent auditors.

(6) Dividend Policy and Implementation

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

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:

legal reserve equals the Bank's paid-in capital.

The Board of Directors resolved in the meeting held on March 19, 2014 to approve the earnings distribution proposal for 2013 as follows: dividends on preferred shares totalling \$8,962,134 and dividends on common shares \$2,283,020,875, that is, a stock dividend of \$1.03 per share. The actual earnings per share distributed described above may be adjusted by the Board of Directors based on the number of outstanding shares as recorded in the common shareholders' register on the record date.

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

Item	Year	Year2014
	300	(Forecast)
Beginning Paid-In Capi	tal	22,165,251,000
	Cash Dividend per share	Preferred Stocks 0.6 dollars
		/per share
Stock and Cash Dividend in	Capitalization of Retained Earnings Stock Dividend	0.103share
this Year	per share	
	Capitalization of Capital Reserves Stock Dividend	None
	per share	

Item		Year	Year2014 (Forecast)
	Operating Profit		
	Ratio of Increase (Decrease) in Operating Profit	(Note)
	Compared to the same period	od last year	
	Net Profit after Tax		
Operation Result	Ratio of Increase (Decrease) in After Tax Net Profit	
Changes	Compared to the same period	od last year	
Changes	Earnings per Share (NT\$)		
	Ratio of Increase (Decrease) in Earnings per share	
	Compared to the same period		
	Annual Average Return on 1		
	Annual Average Price/Earn		
	If Capitalization of Surplus is	Pro forma earnings per	
	all changed to the Issuance of	share (NT\$)	
	Cash Dividend	Pro forma annual average	
		return on investment	
	If Capitalization of Capital	Pro forma earnings per	
Pro forma Earnings	Reserve in not conducted.	share (NT\$)	
per Share and P/E		Pro forma annual average	
Ratio		return on investment	
	If Capitalization of Capital	Pro forma earnings per	
	Reserve is not conducted and	share (NT\$)	
	Capitalization of Surplus is all	Pro forma annual average	
	changed to the Issuance of	return on investment	
	Cash Dividend		

Note: The Bank has not published the financial forecasts for the 2014 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\$ 2,987,624, while employee bonuses total NT\$59,752,489 for fiscal year 2013, 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 5,975,248 shares (estimate only), which constitutes 2.617% 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 2013 is NT\$ 1.30.
 - 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: None.

(9)Share Repurchases by the bank: None

2. Issuance of Financial Debentures

Type of Financial Debentures	1st Subordinated Financial	1st Subordinated Financial	1st Subordinated Financial	1st Subordinated Financial
Descritures	Debentures issued in 2009	Debentures issued in 2011	Debentures issued in 2012	Debentures issued in 2013
Date & No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.
Approved by Central	09800384990	10000158270 10000387590		10200321780
Competent Authority	Sep. 4, 2009	May 12, 2011	Nov. 8, 2011	Nov.20, 2013
Issuing Date	Dec. 30, 2009	Jun. 15, 2011	Mar. 1, 2012	Dec 19, 2013
Face Value	10,000,000	1,000,000	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	0.9 billion	2 billion	1.5 billion	3 billion
Interest Rate	2.95%, fixed rate	2.78%, fixed rate	2.32%, fixed rate	2.10%, fixed rate
Term	Maturity Date: Jun. 30, 2016	Maturity Date: Jun. 15, 2018	Maturity Date: Mar. 1, 2019	Maturity Date: Dec 19, 2020
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
	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
CPA	(Terence Huang/	(Terence Huang/	(Terence Huang/	(Terence Huang/
	Jih-Yen Chang)	Jih-Yen Chang)	Jih-Yen Chang)	Vincent Cheng)
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	0.9 billion	2 billion	1.5 billion	3 billion
Officaceffica Balance	0.5 omion	2 omion	1.5 omion	3 Officer
Paid-in Capital For the Previous Fiscal Year	23.19 billion	19.48 billion	19.48billion	20.26billion
After-tax Net Worth for the Previous Fiscal Year	17.08 billion	20.09 billion	21.97 billion	24.07 billion
Performance	Normal	Normal	Normal	Normal
Redemption or Early Redemption	Nil	Nil	Nil	Nil
Conversion &	Nil	Nil	Nil	Nil
L	L			

Type of Financial Debentures	1st Subordinated Financial Debentures issued in 2009	1st Subordinated Financial Debentures issued in 2011	1st Subordinated Financial Debentures issued in 2012	1st Subordinated Financial Debentures issued in 2013
Exchange Conditions				
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 (%)	3.88%	14.43%	20.03%	30.74%
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	Taiwan Ratings Corp. twA- Dec. 27, 2012	Taiwan Ratings Corp. twA- Dec. 27, 2012	Taiwan Ratings Corp. twA- Dec. 27, 2012	Taiwan Ratings Corp. twBBB+ Dec. 11, 2013

3. Issuance of Preferred Stock

Amount in NT\$

	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
	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.
Right & Obligation	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.
Right &	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.

	Date	e of Issuance	Sept. 26, 2007
Item			Grade-A preferred stock
		or converted	4,000,000,000
		ount	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
		lected or	0
	unconverte	d balance	
In circulation preferred stock		conditions of r 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	A C	Maximum	Un-listed
value per	As of 12-31- 2013	Minimum	Un-listed
share		Average	Un-listed
Continge nt upon other rights	e Converted or subscribed		0
	conversion or option		As per the preceding terms & conditions of conversion.
interest & conditions existing sh by the issu	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.
	self capital to r caused by red 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

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 78-80 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: Pleasee see pages 101-124 for the Bank's financial information and changes in the capital adequacy ratio for years 2009 through 2013.

1. Business Description

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

B. Operational Highlight

a. Deposits

Amount: NT\$ Million

	December 31, 2013		December 31, 2012		Comparison	
Туре	Amount	Ratio	Amount	Ratio	Increase (Decrease)	(Prowth Data 0%
Current Deposit	157,930	42.7%	142,216	41.6%	15,714	11.1%
Time Deposit	211,994	57.3%	199,881	58.4%	12,113	6.1%
Total	369,924	100%	342,097	100%	27,827	8.1%

b. Loans

Amount: NT\$ Million

	December 31, 2013		December 31, 2012		Comparison	
Туре	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Consumer Banking	129,005	55.61%	117,967	57.9%	11,038	9.36%
Corporate Banking	102,959	44.39%	85,682	42.1%	17,277	20.16%
Total	231,964	100%	203,649	100%	28,315	13.9%

c. Foreign Exchange

Amount: US\$ Million

	December 31, 2013		December 31, 2012		Comparison	
Type	Amount	Ratio	Amount	Ratio	Increase (decrease)	Growth Rate%
Exports	95	2.4%	91	2.3%	4	4.4%
Imports	208	5.2%	197	5.1%	11	5.6%
Foreign Remittances	3,708	92.4%	3,605	92.6%	103	2.9%
Total	4,011	100%	3,893	100%	118	3.0%

d. Trust & Wealth Management

Amount: NT\$ Million

		December 31, 2013	mber 31, 2013 December 31, 2012		Comparison	
Type		Amount	Amount	Increase (decrease)	Growth Rate%	
	Non-discretionary Money Trust Invested in Securities	35,652	35,139	513	1.46%	
Trust	Fund Custody Business	9,672	7,955	1,717	21.58%	
	New Trusts	13,727	14,035	(308)	(2.19)%	
	Subtotal	59,051	57,129	1,922	3.36%	
Ancillary Service	Attestation For Issuance of Securities	17,433	23,647	(6,214)	(26.28).%	
Total		76,484	80,776	(4,292)	(5.31)%	

e. Credit Card Business

Unit: NT\$ Million; Card

Item	December 31, 2013	December 31, 2012	Comparison	
1000	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate%
Card in New Issue	193,140	168,973	24,167	14.30%
Cards in Circulation	1,827,104	1,875,580	(48,476)	(2.58)%
Valid cards	787,833	791,746	(3,913)	(0.49)%
Ratio of valid cards	43.12%	42.21%	0.91%	2.16%
Credit Amount	47,941	44,540	3,401	7.64%
Cash Advance Amount	1,712	1,324	388	29.31%
Accounts Receivables	12,194	11,895	299	2.51%
Revolving Credit Balance	5,453	6,041	(588)	(9.73)%
Sales Amount	42,912	36,098	6,814	18.88%

f. Revenue and Percentage by Business

Item	% of Total Revenue 2013	% of Total Revenue 2012	Changes (%)
Corporate Banking	16.72%	16.99%	-0.27%
Consumer Banking	33.44%	36.64%	-3.20%
Trust & Wealth Management	7.64%	6.96%	0.68%
Investment Banking	19.67%	22.57%	-2.90%
Other	22.53%	16.84%	5.69%
Total	100%	100%	

(2) Business Plan for 2014

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 EasyCard, securing new demand deposit

accounts and bill payment services. In addition, to ensure extensive coverage of ATMs, through which we hope to enhance our corporate reputation. We also aim for growth in the equity loan business.

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 made in Taiwan. Enhance credit security by utilizing the small and medium enterprise credit guarantee fund, requesting excellent collateral for loans as well as blue chip stock loan.

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 strictly control credit risk of underwriting customer; improve trading turnover rate and the underwriting market share to create maximum profit.

Flexibly adjust value at risk according to market trends and at the same time develop new RP clients that constitute a more stable source and less costly funds.

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

C. Foreign Exchange Business

- a. Continue to develop the sources of foreign exchange businesses.
 Expand imports, exports and foreign exchange businesses to increase the Bank's market share in the foreign exchange market.
- b. Continue to expand international financial investment business 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. Enhance the launching of marketing and promotional campaigns. Provide differentiated services to different target groups. Introduce diverse products (such as: foreign bonds, ETF, structured notes and foreign currency insurance policies etc) to increase the diversity of the asset portfolio of wealth management clients and increase the size of assets managed by the Bank.
- e. Continue to recruit new wealth management staff and provide training to bank employees to serve in the capacity as wealth management advisors. The long-term goal is to expand the size of the wealth management team to enhance the development of effective clients and hence the Bank's share of the wealth management market.

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. Such as the "2% cash reward on even-number days" campaign increases merchant fee income and at the same time establishes the Bank's market transparency. It also serves as a mechanism to track card purchases after issuance. The Bank also designs exclusive events to reward cardholders that have a higher level of contribution to the Bank's revenue to increase customer satisfaction and royalty.
- b. Actively develop cooperation with medium-large-scale retail chain stores to raise the market share of account receivable.
- c. The Bank engages in continuous research and development of new marketing products and in 2014, launched the first mobile phone credit card accredited by VISA International to bridge with the future market trends and to offer customers more convenient payment services.
- d. Re-design the credit card centre official website and improve the efficiency of call centre services. Provide more user-friendly interfaces, more abundant information and more simplified procedures for new products and services.
- e. Continue to promote collecting business of China Union Pay Card and Instalment transaction to meet the market demand gradually and maximize operating revenue.
- F. Ensure effective management of funds available to the Bank. Effectively utilize funds in line with the various business development initiatives to increase the Bank's returns. We also maintain an appropriate level of liquid funds to ensure that the Bank has a sound liquidity level. For TMU business, besides continuing to service existing clients and offering them with real-time financial market information and products, we also aims at developing new clientele to increase the Bank's business turnovers in deposits, loans and foreign exchange business.

(3) Market Analysis

- A. Areas of Business Operation
 As of the end of March 2014, the Bank has 90 domestic branches of which
 47 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
 We expect exports to be improved given the global economic recovery and
 increase in international trade during 2014. The anticipated improvement in
 private consumption also hopefully will stimulate stable growth in the
 domestic economy. The domestic banking sector will see continued growth
 in deposit and wealth management businesses. Interest rate spread may
 continue to increase given the adjustment in the structure of loans. We
 expect the domestic banking sector to experience stable growth in
 profitability during 2014.

In terms of business developments, we expect the growth in corporate banking businesses given the favourable policy adopted by the government to stimulate SME loans and loans to offshore enterprises. On the other hand, we anticipate limited growth in the housing loan business due to the government's several initiatives to suppress the real estate industry. In spite of the projected growth in unsecured consumer loans, overall, we expect only little growth in the consumer loan business. In relation to the wealth management business, we hope that the government's policy to encourage banks to design and develop new types of products and the launch of RMB financial instruments may stimulate growth in this area of the business.

- C. Competitive Niches and Advantages/Disadvantages Relating to Development Prospects and Responsive Measures
 - a · Advantages
 - I. We expect a better economic outlook for 2014 as compared to 2013 and hope that the more positive outlook may stimulate corporate funding demands and investor confidence.
 - II. The competent authority's liberalization policy on foreign currency transactions and credit extension is beneficial in promoting the diversity of the Bank's sources of profit, and increasing the Bank's revenues and competiveness.
 - III. More and more RMB products and services are being offered following liberalization, which in turn will stimulate the related businesses. This offers the Bank new business opportunities and supports domestic banks' business deployment plan in the Chinese market.

b · Disadvantages

- I. Although global and domestic economic recovery is anticipated, there is still a high level of uncertainties surrounding the economic conditions. The banking sector shall act prudently to avoid investment and credit risks.
- II. Domestic banks lack professional manpower resources in the

researching and developing new financial instruments. Chinese banks have been aggressively sourcing financial experts from Taiwan's financial industry. It is critical for domestic banks to continue cultivating financial specialists and at the same time retain staff.

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 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, 2013, the sales turnover of bills issued by the Bank amounted to NT\$ 593 billion, a growth of 104% comparing to 2012.
 - 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 RMB", 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 2013, the Bank has launched several stock funds and 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, 2013, the Bank had a total of 75,132 wealth management clients and total assets under management aggregated NT\$159.2 billion, representing an increase of 18% and 16% from that of 2012, 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.
- 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, 2013, NT dollar deposits of the Fortune Passbook holders amounted to NT\$4,083,360,000 representing a 56% growth rate comparing to NT\$2,610,000,000 as at December 31, 2012. 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 hanks. It offers special discounts for culture activities and parent-children financial planning educational programs. During 2013, the Bank organized a series of events to reward our customers including "Fortune Passbook & Happy Childhood", "Fortune Passbook Trilogy & Robots Double Give-away", "Million Fortune Points for School Meals", "Fortune Encounter Free Movie Tickets", "Fortune Passbook Free Notebook", and "Fortune Passbook Free Gifts for Referrals" and educational event such as the "Junior Banker 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 and O.K. 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 15% (while the average number of logins, transactions and account inquiries for 2013 grew by 9%, 6% and 7%, respectively) in 2013 comparing to 2012.
- i. New Business Departments Established in the Most Recent Two Years: None.
- 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

Year Item	2013	2012
R&D Expenditure	1,560	2,600

- I. 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.
- II. In 2013, the Bank continued to further enhance the mobile banking services. Besides providing customers with more comprehensive e-banking services, we also introduced mobile services including mobile coupon download, live broadcast, and e-news etc to upgrade the available e-services and the convenience in using special offers.
- 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. At the end of 2013, the Bank received approval from the authority and accreditation by international organisations and launched the NFC mobile phone credit cards in February, 2014 to offer customers 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 phablets.
- VI. Introduced related technology and planned to construct the Bank's new online service website for PCs and mobile devices with the core design concept based on customers' needs.
- (5) Long-term and Short-term Business Development Plan
 - A. Short-term Business Development Plan: Please refer to "Chapter (2) 2014 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 2012	End of 2013	Mar31, 2014
	Permanent	3,207	3,249	3,273
Number of	Temporary	0	0	0
Employees	Other	0	0	0
	Total	3,207	3,249	3,273
Average age		36.10	36.50	36.59
Average year	of service	7.90	8.31	8.37
	Doctorate	0	0.03	0.03
	Master	6.89	7.17	7.24
Education	University (College)	84.69	85.32	85.18
	Senior High School	8.26	7.33	7.39
	Junior High School & Under	0.16	0.15	0.15
	essional certification held by employees	End of 2012	End of 2013	Mar31, 2014
	ency Test for International Banking Personnel	280	291	288
	Test on Foreign Exchange Trading	13	12	12
	Test for Trust Operations Personnel	2,063	2,190	2,187
Subject Test	- Laws and Regulations on Trust Businesses	13	20	18
Qualification exam for "General knowledge of Financial Markets and professional code of Ethics"		2,221	2,358	2,338
Financial Risk Manager (FRM)		3	3	3
Class B Accounts Clerk		7	7	8
Class C Accounts Clerk		111	111	106
Basic Proficiency Test for Bank Lending Personnel		400	406	398
Advanced Pr	roficiency Test for Bank Lending Personnel	32	32	32

Year	End of 2012	End of 2013	Mar31, 2014
	Line of 2012	Line of 2013	1,14131, 2011
Proficiency Test for Bank Collateral Appraisal Personnel	13	10	10
Proficiency Test for Financial Planning Personnel	403	402	398
Structured Product Sales Personnel Qualification Test	166	186	186
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)	25	24	24
For taking "Investment trust & consulting regulations (including self-disciplinary rules)" only	623	647	648
Life insurance salesperson	2,326	2,424	2,388
Investment-oriented insurance salesperson	1,206	1,206	1,198
Fundamental Test of Investment-oriented insurance salesperson and financial market	176	193	188
Property Insurance Salesperson Registration Certificate	1,006	1,022	1,014
Qualification Test for Life Insurance Salesperson Selling Non-Investment Type of Insurance Product in Foreign Currency	922	939	937
Futures specialist	304	324	318
Bill finance specialist	73	77	76
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	50	50
Class B Manager of Labor Safety & Health Affairs	77	76	77
Class C Manager of Labor Safety & Health Affairs	17	19	19
Fire Fighting Administrator	128	127	127
First Aid Specialist	111	139	139
Bond Specialist	27	28	28
Basic Proficiency Test on Internal Controls	1,772	1,805	1,787
Securities specialist	281	311	310
Senior securities specialist	234	239	237
Securities investment trust and consulting professionals	179	187	183
Securities investment Analyst	6	6	7
Specialist of "Margin and Stock Loans by Securities Firms"	39	38	37
Assistant real estate Brokers	11	8	8

Note: Not include 2 employees of offshore units.

(2) Advanced Education and Training of Employees

In response to the fast changing financial environment and for the purpose of enhancing the professional competency of our employees, the Bank organizes the various business seminars and symposiums each year as well as sends employees to attend the various external training programs. The bank also requests, where possible, the relevant staff at all levels to acquire the required certification. The bank aims to upgrade the capabilities in product innovation and improve the operational procedures.

Item	Internal program	External program	Total
Number of employees trained	11,939	1,983	13,922
Total training expense (in NT\$ thousand)	13,414	1,943	15,357

(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 2013, the Bank sponsored the foundation to host the "2013 Union Art Competition" and "2013 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. Liu Chi-Hsiang was the old-time artist recommended by the panel in 2013.

For sixteen years, the Bank has worked earnestly to provide winners of the Union Art Competition opportunities to showcase their work such as inviting them to give a lecture or be the judge in certain art and cultural events, to offer them opportunities to demonstrate their creative talent. The Bank also constructed the "Union Art Gallery" at the Formosa Boulevard Station of the Kaohsiung Metro for civilians to view and enjoy the artwork. We hope to achieve our aim of supporting and nurturing local art creators and continuing Taiwan's art in the long run.

- (2) Active Involvement in Community Events:
 - A. Community development: The Bank has assumed the responsibility to support the care and maintenance of the "Mingyou No. 2 Park" since 1997. The park provides local residents an ideal place for leisure and children a place to play. The park received outstanding rating among other Taipei metropolitan parks since 2000. The Bank received the silver diamond award of the "Annual Award for Perpetual Park Management" in 2005 and the excellence award for five consecutive years from 2006 through 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. The Bank has been dedicated to social charity and is a promoter of cultural and art events for many years. In May, 2013, the Bank assisted with the organization of the "Cheers for Mums; Union Bank Helps You Build a Better Future" charity fair for Mother's Day. Total proceeds \$643,310 were donated to the "Union Culture & Art Foundation" to support the Foundation's work in cultural and art events and cultivation of talents. The Bank organized the "Charitable Wealth Management Camp for Children" in July, 2013 and the "Reward Points to Support School Meals" campaign. The camp program consisted of fund raising activities and points redeemed as donation amounting to NT\$ 70,000. The full sum was donated to the "Nantou County Government Local Education Development Fund" to fund school meals.

(4) Caring for Local Farmers and Residents of Disaster Zones

The Bank launched the "Love to Share. Happy Gifts" event to coincide with Mother's Day events in May, 2013. The Bank also purchased 22,550 carnations (costing \$349,525 in total) for distribution to 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.

(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 "Finding Foster Home for Children" campaign during the period from February 1 to December 31, 2013. Any cardholder that makes a one-off donation in excess of \$2,799 or monthly donation in excess of \$300 for at least one year is entitled to receive a "Kewpie Doll". The donated funds will be used for covering the living

expenses, nanny fees, medical expenses, educational training cost and service fees incurred prior to placing a child in a suitable foster home.

- (7) Organized the Union fundraising event, "Guardian Angel for Children with Down's Syndrome".
 - The Bank partnered with the Down Syndrome Foundation to launch the "Guardian Angel for Children with Down's Syndrome" campaign during the period from May 1 to June 30, 2013. Any customer that makes a monthly donation of \$100 for at least 12 months (incl.) or anyone that makes a one-off donation of \$600 (incl.) is entitled to receive a "100% Cotton T-shirt" designed by Bridgette Liao.
- (8) To jointly promote the Love & Life events, the Bank partnered with the the "Kaohsiung Rapid Transit Corporation" to organize the various events including the "the Autumn Moon Feast" and "Winter Warmth and Happiness" events at KRTC stations, passing warmth and love to others through fundraising and connecting the KRTC with citizens to deliver the concept of new city happiness.

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 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. Bankers Association FXML upgrade (2048) project
 - J. Electronic bills SYSTEM

- K. Constructing Defend APT(Advanced Persistent Threat) system over the internet
- L. Web Application Firewall Device.
- M. Remote backup and data synchronization mechanism
- N. Construction of the SME financing network
- O. Development of e-finance (internet banking and mobile) bill (tax) payment functions
- (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 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	Signed on Apr.	Performance bond agreement for the	None
	Corporation	27, 1994	solvency of financial	
	Согрогалон		institution in paying	
			depositors	
Insurance Contract	MSIG Mingtai	Jan. 21, 2014	Bankers Blanket	None
	Insurance Co.,	То	Insurance	
	Ltd.	Jan. 21, 2015		
Outsource	Union Information	Jul. 01, 2001	Credit card	None
Contract	Technology Corp.		information	
			system	
Outsource	Financial	Apr. 14, 2008	Chip card	None
Contract	eSolution Co.,		transactions	
0.1	Ltd.	1. 16.2000	processing	N.
Outsource	Union Information	Jun. 16, 2008	Design and	None
Contract	Technology Corp.		maintenance of	
0.1		A 01 2000	Web	N.
Outsource	Union Information	Apr. 01, 2009	Collections	None
Contract	Technology Corp.		system of	
			Convenient Store	
0		7 01 2011	and tuition	
Outsource	Union Information	Jun. 01, 2011	e-Gift Voucher	None
Contract	Technology Corp.		Management System	
Outsource	Mohist Web	Jul. 27, 2010	e-Gift Voucher	None
Contract	Technology Co.,	Jul. 27, 2010	Management	None
Contract	Ltd.		System	
Outsource		Jul. 01, 2011	Credit card	None
Contract	IDM	,	information	
	IBM		system and	
		7 1 7 700	statement printing	
Outsource	Gemalto Co., Ltd.	Jul. 15, 2007	Manufacturing of	None
Contract		- 10	chip credit cards	
Outsource	Taiwan Name	Dec. 10, 2007	Manufacturing of	None
Contract	Plate Co., Ltd.	× 00	chip credit cards	
Outsource	Foongtone	Jun. 09, 2008	Manufacturing of	None
Contract	Technology Co., Ltd.		chip credit cards	7 700000 4000
Outsource	Taiwan Name	Jan. 23, 2008	Manufacturing of	None
Contract	Plate Co., Ltd.	Juli. 23, 2000	chip ATM cards	TAUTIC
Outsource	Foongtone	Jun. 02, 2008	-	None
Contract	Technology Co.,	Juli. 02, 2000	Manufacturing of	TAUTIC
Contract	Ltd.		chip ATM cards	
Outsource	Yuen Foong	Jan. 01, 2008	Printing of	None
Contract	Paper Co., Ltd.	11 11 11 11 11	withholding tax	
			statements	
Outsource	Yuen Foong	Nov. 01, 2008	Printing and	None
Contract	Paper Co., Ltd.		mailing	

Outsource Contract Consulting Management Co. Ltd. Outsource Contract Consulting Management Co. Ltd. Outsource Contract Consulting Co., Ltd. Outsource Contract Contract Consulting Co., Ltd. Outsource Contract Contract Contract Co., Ltd. Co., Ltd. Co., Ltd. Contract Contract Contract Contract Contract Co., Ltd. Contract Contract Contract Contract Contract Contract Contract Co., Ltd. Contract Contra	Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
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Management Co. Ltd. Infinancial/lax information search	Outsource	Ma Chiu	Feb. 22, 2005	Household	None
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Outsource Contract Co	Outsource		Apr. 24, 2009		None
Ltd. Information search Messaging system and message delivery service Contract LTD. Aug. 01, 2012 Printing, enveloping and delivery of credit card mails Outsource Contract Taiwan Security Contract Corporation Contract Contract Corporation Contract Contract Corporation Contract Corporation Contract Corporation Contract Contract Corporation Contract Contract Corporation Contract Contract Corporation Contract	Contract				
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Contract Outsource Contract Coung Hwa Express Corp. Outsource Contract Co., Ltd Co., Ltd. Co.,	Outsource	SYSTEX	Sep. 01, 2012	Delivery of credit	None
Outsource Contract Chung Hwa Express Corp. Outsource Contract Con	Contract		,		
Contract Express Corp. Outsource Leebao Security Co., Ltd Outsource Taiwan Security Co., Ltd. Outsource Contract Jihsun Security Co., Ltd. Outsource Contract Jan. 01, 2012 Transportation of valuable securities and cash Outsource Contract Jihsun Security Co., Ltd. Outsource Contract Jihsun Security Co., Ltd. Outsource Contract Jan. 01, 2012 Transportation of valuable securities and cash Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation Outsource Contract Ltd. Outsource Contract Ltd. An Fong Enterprise Co., Ltd. Outsource Contract Zan. 01, 2008 ATM banknote replenishment and troubleshooting operation Outsource Contract Co., Ltd. Outsource Contract Lian-An Service Co., Ltd. ATM banknote replenishment and troubleshooting operation		-	Jul. 01, 2008	Check clearing	None
Outsource Contract Co., Ltd Co., Ltd.		•	001.01,2000	•	1,0110
Outsource Contract Contra	Contract	Express corp.		•	
Contract Co., Ltd Valuable securities and cash Outsource Contract Co., Ltd. Dec. 01, 2010 Transportation of valuable securities and cash Outsource Contract Jihsun Security Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Outsource Contract Jinsun Security Co., Ltd. Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation Outsource Contract An Fong Enterprise Co., Ltd. Outsource Contract Lian-An Service Contract Jan. 01, 2010 ATM banknote replenishment and troubleshooting operation None None None None ATM banknote replenishment and troubleshooting operation None	Outsource	Leebao Security	Aug 01 2008	_	None
Outsource Contract I ransnational Group Outsource Contract An Fong Enterprise Co., Ltd. Outsource Contract Contract I ransnational Group Outsource Contract An Fong Enterprise Co., Ltd. I ransnational Group Outsource Contract An Fong Enterprise Co., Ltd. I ransnational Group Outsource Contract An Fong Enterprise Co., Ltd. I ransportation of valuable securities and cash Check clearing house delivery operation None None ATM banknote replenishment and troubleshooting operation None Outsource Contract Co., Ltd. Outsource Contract ATM banknote replenishment and troubleshooting		<u> </u>	71ug. 01, 2000		Tione
Outsource Contract Taiwan Security Co., Ltd. Dec. 01, 2010 Transportation of valuable securities and cash Outsource Contract Jihsun Security Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Outsource Contract Transnational Group Outsource Contract An Fong Enterprise Co., Ltd. Contract Ltd. Contract Ltd. Jan. 01, 2013 Check clearing house delivery operation None ATM banknote replenishment and troubleshooting operation Outsource Contract Contract Lian-An Service Contract Jan. 01, 2010 ATM banknote replenishment and troubleshooting operation None None	Contract	Co., Ltd			
Outsource Contract Taiwan Security Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Outsource Contract Jihsun Security Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation Outsource Contract An Fong Enterprise Co., Ltd. Outsource Contract Lian-An Service Co., Ltd. Lian-An Service Co., Ltd. Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash Check clearing house delivery operation None Transportation of valuable securities and cash					
Contract Co., Ltd. Co., Ltd. Co., Ltd. Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Contract Jihsun Security Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation Outsource Contract An Fong Enterprise Co., Ltd. Contract Lid. Contract Jan. 01, 2008 ATM banknote replenishment and troubleshooting operation Outsource Contract Contract Jan. 01, 2010 ATM banknote replenishment and troubleshooting operation None	Outcource	Toiwon Socurity	Ion 01 2010		None
Outsource Contract Jihsun Security Co., Ltd. Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation None Outsource Contract An Fong Enterprise Co., Ltd. Outsource Contract Lian-An Service Contract Jan. 01, 2010 ATM banknote replenishment and troubleshooting operation None None ATM banknote replenishment and troubleshooting operation None None Outsource Contract Co., Ltd. Outsource Contract Lian-An Service Co., Ltd.			Jan. 01, 2010	-	None
Outsource Contract Jihsun Security Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation None Outsource Contract An Fong Enterprise Co., Ltd. Outsource Contract Lid. Dec. 01, 2012 Transportation of valuable securities and cash Check clearing house delivery operation None None Outsource Contract Lid. Jan. 01, 2008 ATM banknote replenishment and troubleshooting operation None Outsource Contract Co., Ltd. Jan. 01, 2010 ATM banknote replenishment and troubleshooting	Contract	Co., Liu.			
Outsource Contract Jihsun Security Co., Ltd. Dec. 01, 2012 Transportation of valuable securities and cash Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation None Outsource Contract An Fong Enterprise Co., Ltd. Outsource Contract Lian-An Service Contract Jan. 01, 2010 ATM banknote replenishment and troubleshooting operation ATM banknote replenishment and troubleshooting operation None ATM banknote replenishment and troubleshooting operation					
Contract Jihsun Security Co., Ltd. Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation None Outsource Contract An Fong Enterprise Co., Ltd. Contract Lian-An Service Contract Jan. 01, 2013 Check clearing house delivery operation ATM banknote replenishment and troubleshooting operation Outsource Contract Lian-An Service Contract Co., Ltd. Co., Ltd. Valuable securities and cash None None None ATM banknote replenishment and troubleshooting	0.4		D 01 2012		NT
Co., Ltd. Co., Ltd. Securities and cash Outsource Contract Transnational Group Outsource Contract An Fong Enterprise Co., Ltd. Co., Ltd. Co., Ltd. Co., Ltd. Securities and cash Check clearing house delivery operation None ATM banknote replenishment and troubleshooting operation Outsource Contract Lian-An Service Co., Ltd. Co., Ltd. Co., Ltd. Co., Ltd. Co., Ltd. Securities and cash None None None None None Transnational Group None Transnational Check clearing house delivery operation None		T., G	Dec. 01, 2012	_	None
Outsource Contract Transnational Group Transnational Group Outsource Contract An Fong Enterprise Co., Ltd. Ltd. Check clearing house delivery operation ATM banknote replenishment and troubleshooting operation Outsource Contract Lian-An Service Contract Co., Ltd. Lian-An Service Contract Co., Ltd. Cash Check clearing house delivery operation None None None None None Transnational Group None ATM banknote replenishment and troubleshooting	Contract				
Outsource Contract Transnational Group Jan. 01, 2013 Check clearing house delivery operation None An Fong Enterprise Co., Ltd. Lian-An Service Contract Lian-An Service Contract Jan. 01, 2013 Check clearing house delivery operation None ATM banknote replenishment and troubleshooting operation None Contract ATM banknote replenishment and troubleshooting		Co., Ltd.			
Contract Transnational Group Outsource Contract An Fong Enterprise Co., Ltd. Ltd. Contract Contract An Fong Enterprise Co., Ltd. An Service Contract Lian-An Service Contract Co., Ltd. Co., Ltd. Contract Co., Ltd. Contract			Y 01 5-1-		
Outsource Contract Outsource Contract Contract An Fong Enterprise Co., Ltd. Contract Contra		Transnational	Jan. 01, 2013	•	None
Outsource An Fong Enterprise Co., Ltd. Contract Lian-An Service Contract Contract Contract Co., Ltd. Co., Ltd. Contract Co., Ltd. Co., Ltd. Contract Co., Ltd.	Contract			· ·	
Contract Enterprise Co., Ltd. Contract Enterprise Co., Ltd. replenishment and troubleshooting operation Outsource Contract Co., Ltd. Lian-An Service Co., Ltd.				_	
Ltd. Outsource Contract Lian-An Service Co., Ltd. Lian-An Service Co., Ltd. and troubleshooting operation ATM banknote replenishment and troubleshooting	Outsource		Oct. 01, 2008		None
Outsource Contract Co., Ltd. troubleshooting operation Lian-An Service Co., Ltd. troubleshooting operation ATM banknote replenishment and troubleshooting	Contract	_	111111111111111111111111111111111111111	_	
Outsource Contract Co., Ltd. Operation Jan. 01, 2010 ATM banknote replenishment and troubleshooting		Ltd.			
Outsource Contract Lian-An Service Jan. 01, 2010 ATM banknote replenishment and troubleshooting				troubleshooting	
Contract Co., Ltd. replenishment and troubleshooting				operation	
Contract Co., Ltd. replenishment and troubleshooting	Outsource	Lian-An Service	Jan. 01, 2010	ATM banknote	None
and troubleshooting	Contract				
troubleshooting		, in the second		•	
Operation			1	operation	The state of the s

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Outsource Contract	Chou Jin-Kuo Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Ja Chou Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Shih Chang-Chih Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Lee & Lin Real Estate Consultant	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Lin Hsiu-Fan Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Lin Yin-Hui Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Hsin Yaun Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Yeah Ju-Cui Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Huang Jin-Yuan Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
Outsource Contract	Pu-Hsin Conveyancing Office	Dec. 01, 2011 To Nov 30, 2014	Conveyancing services	None
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	Jul. 01, 2007	Collection of receivables	None

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
	CONSULTANT LTD			
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
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 Major (Note) Contra	Hi-Life International Co., Ltd	Sep. 25, 2012	Collection of credit card payment	None

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: None.

Note: Major contracts referred herein are contracts with a single contract value exceeding NT\$ 300 million.

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

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

(1) Condensed Consolidated Balance Sheets - IFRS

In NT\$ thousand

						III IN 1 & tilousaiit
Year		Financial D				
Item	2009	2010	2011	2012	2013	Mar 31,2014 (Note2)
Cash and equivalent, due from the		ı	1	07.004.070	5 0.404. 2 45	00.000.505
Central Bank and other banks				85,036,973	79,101,215	82,083,587
Financial assets at fair value through				0.207.240	10 115 216	10 701 721
profit or loss				8,297,349	10,115,316	18,701,731
Available-for-sale financial assets				10,331,378	8,711,283	9,420,016
Hedging derivative financial						
instruments				-	-	-
Securities purchased under resell agreements				21,780,368	20,237,019	17,929,638
Receivable-Net				14,435,559	13,917,483	13,510,866
Current Tax asset				100,505	160,672	183,004
Available-for-sale asset-Net				-	-	-
Discounts & Loans-Net				199,788,512	227,974,804	239,995,001
Held-to-maturity financial asset				811,872	440,233	243,232
Equity Investment(Equity Method)- Net				54,490	54,294	182,035
Restricted assets	N. G		1 HDD G	-	-	-
Other financial asset – Net	Not C	ompiled wit	h IFRS	49,714,759	57,559,287	54,188,511
Property and equipment- Net				7,729,000	7,644,442	7,702,383
Investment property-Net				2,792,110	2,777,603	2,773,976
Intangible asset –Net				2,087,971	2,049,795	2,046,905
Deferred tax asset-Net				3,475,913	2,992,503	2,816,282
Other asset				6,629,256	6,419,023	6,409,671
Total asset				413,066,015	440,154,972	458,186,838
Due to the central bank and other banks				6,422,684	5,315,113	9,502,468
Call loans to the central banks and other						
banks						
Financial liability at fair value through				27,417	16,006	41,484
profit or loss				27,417	10,000	41,484
Hedging derivative financial instruments				-		
Securities sold under repurchase agreements				28,289,349	24,582,657	29,894,365
Payable				6,710,952	4,267,543	3,676,718

Year		Financial Da	ata for the Pa	ast Five Years (No	te 1)		
Item		2009	2010	2011	2012	2013	Mar 31,2014 (Note2)
Current Income Tax lia	bility		·		31,307	18,954	30,849
Liabilities directly associa	ated with assets						
held for sale					-	-	-
Deposit and remittance					336,561,067	364,084,582	372,384,674
Bank debentures					5,200,000	7,400,000	7,400,000
Liability component of	preferred stocks				-	-	-
Other financial liability		Not C	ompiled with	n IFRS	1,285,497	2,180,986	1,996,072
Provision					811,124	769,416	769,479
Deferred tax liability					352,229	574,580	560,394
Other liability					2,132,118	2,264,761	2,304,922
T. 4. 1 1: - 1: 1: 4	Before dilution			387,823,744	411,474,598	428,561,425	
Total liability	After dilution				387,823,744	Note3	-
BIS total Equity				25,005,371	28,423,332	29,359,362	
Capital Stock					20,264,396	22,165,251	22,165,251
Capital surplus					32,413	34,288	34,288
Detained comings	Before dilution				4,574,007	5,391,915	6,110,869
Retained earnings	After dilution				2,534,720	Note3	-
Others equity					134,555	831,878	1,048,954
Treasury Stock					-	-	-
Non control Interest					236,900	257,042	266,051
T. (.1	Before dilution				25,242,271	28,680,374	29,625,413
Total equity	After dilution				25,061,229	Note3	-

Note 1: The Bank has adopted the International Financial Reporting Standards for less than five years. As such, we have prepared financial statements for the years 2009, 2010 and 2011 in accordance with the financial accounting standards of the Republic of China.

Note 2: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2014.

Note 3: The 2014 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2013 was not provided.

(2) Condensed Balance Sheet-IFRS

In NT\$ thousand

				Past Five Year (No		In NT\$ thousand
Year	Fi	Mar 31,2014				
Item	2009	2010	2011	2012	2013	(Note2)
Cash and equivalent, due from the				94 040 171	79.569.010	Consolidated
Central Bank and other banks				84,949,171	78,568,012	statement only
Financial assets at fair value				9 004 904	0.962.257	
through profit or loss				8,094,894	9,863,257	
Available-for-sale financial assets				10,237,156	8,500,192	
Hedging derivative financial						
instruments				_		
Securities purchased under resell				21,764,953	20,230,519	
agreements				21,704,933	20,230,319	
Receivable-Net				14,248,095	13,742,618	
Current Tax asset				100,493	160,660	
Available-for-sale asset-Net				-	=	
Discounts & Loans-Net				201,833,438	230,142,592	
Held-to-maturity financial asset				811,872	428,017	
Equity Investment(Equity Method)-				2,543,168	2,567,706	
Net				2,343,108	2,367,700	
Restricted assets	Not Co		4. IEDC	-	_	
Other financial asset – Net	Not Co	mpiled wit	II IFKS	49,485,900	57,830,216	
Property and equipment- Net				7,713,002	7,630,976	
Investment property-Net				-	-	
Intangible asset -Net				2,082,738	2,044,866	
Deferred tax asset-Net				3,305,217	2,826,055	
Other asset				2,154,775	1,925,098	
Total asset				409,324,872	436,460,784	
Due to the central bank and other				5 115 427	4.024.611	
banks				5,115,437	4,924,611	
Call loan to the central bank and					1	
other banks						
Financial liability at fair value				27,417	16,006	
through profit or loss				27,417	10,000	
Hedging derivative financial						
instrument						

	Financial Data for the Past Five Year (Note 1) Mar 31 20					Mar 31,2014	
Item		2009 2010 2011		2012	2013	(Note2)	
Securities sold under	repurchase			I		24.502.455	
agreements					28,289,349	24,582,657	
Payable					6,581,310	4,168,148	
Current Income Ta	x liability				-	-	
Liabilities directly associa	ated with assets held for						
sale					-	-	
Deposit and remitte	ance	Not Co	mpiled wit	th IFRS	337,399,136	365,120,161	
Bank debentures					5,200,000	7,400,000	
Liability componer	nt of preferred						
stocks						-	
Other financial liab	pility				306,392	201,858	
Provision					795,785	752,628	
Deferred tax liabili	ty			334,380	556,558		
Other liability					270,295	314,825	
	Before				384,319,501	408,037,452	
Total liability	dilution				301,313,301	100,037,132	
	After dilution				384,319,501	Note3	
Capital stock					20,264,396	22,165,251	Consolidated
Capital surplus					32,413	34,288	statement only
	Before				4,574,007	5,391,915	
Retained earing	dilution				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
After dilution					2,534,720	Note3	
Other equity					134,555	831,878	
Treasury stock					-	-	
	B e f o r e				25,005,371	28,423,332	
Total equit	ydilution						
	After dilution	mational Ei			24,824,329	Note3	

Note 1: The Bank has adopted the International Financial Reporting Standards for less than five years. As such, we have prepared financial statements for the years 2009, 2010 and 2011 in accordance with the financial accounting standards of the Republic of China.

Note 2: All financial data have been audited by independent auditors

Note 3: The 2014 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2013 was not provided.

(3) Condensed Balance Sheet- R.O.C. GAAP

	Year	Financial	Data for The Past Five Y	Years(Note1)		
Itam		2009	2010	2011	2012	2013
Item Cash and cash	equivalent, due				Disclos	ed in
	al Bank and other	62,909,538	70,268,555	110,172,361	Condensed	
banks		, ,	, ,	-, -,		
Financial assets	s at fair value	400,971	3,017,823	8,167,543	Balance Sheet - IFRS	
through profit o	or loss	400,971	3,017,623	0,107,545	II IN	w
Securities purch	hased under resell	289,953	39,500	251,626		
agreements		207,733	37,300	251,020		
Available-for-s	sale financial assets	7,134,236	6,230,049	7,516,896		
Discounts & lo	oans	169,959,853	189,657,099	190,679,993		
Receivables		20,076,909	16,808,438	15,086,661		
Held-to-maturi	ity investment	9,724,545	3,272,634	1,313,015		
Equity investm	nents- Equity	2 200 400	1.050.555	1 11 4 70 4		
method		2,209,409	1,050,576	1,114,794		
Property & equ	uipment	8,274,634	8,089,483	7,956,701		
Intangibles		2,369,638	2,374,485	2,119,709		
Other financial	lassets	55,850,117	57,137,087	49,631,216		
Other assets		7,930,237	5,127,948	3,714,937		
Total Assets		347,130,040	363,073,677	397,725,452		
Call loans and	due to banks	18,088,773	10,287,346	7,007,256		
Deposits and re		271,124,191	289,605,854	322,756,910		
	ities at fair value					
through profit o	or loss	81,243	51,584	33,852		
Securities sold	under repurchase	26.415.007	22 506 026	24 500 150		
agreements		26,415,907	33,596,926	34,522,173		
Payables		3,276,818	3,838,896	5,847,302		
Bank debentur	res	9,900,000	4,890,000	4,890,000		
Liability comp	onent of preferred					
stocks	-	1		7		
Other financial	liabilities	242,363	318,027	337,852		
Other liabilities		470,515	390,574	365,444		
	Before dilution	329,599,810	342,979,207	375,760,789		
	After dilution	329,599,810	342,979,207	375,760,789		
Capita	·	23,188,244	19,484,996	19,484,996		
<u>Capital</u>		33,811	33,811	33,811		
Retained	Before dilution	(5,651,650)	1,176,594	3,054,066		
earning	After dilution	(5,651,650)	1,176,594	1,517,215		

Unrealized profit/(loss) on financial assets		17,065	155,124	(167,173)
Cumulative translation adjustments		31,662	(640,778)	(263,522)
Others		(88,902)	(115,277)	(177,515)
Total	Before dilution	17,530,230	20,094,470	21,964,663
shareholder's Equity	After dilution	17,530,230	20,094,470	21,207,212

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

(4) Condensed Consolidated Comprehensive Income Statement - IFRS

	· · · · · · · · · · · · · · · · · · ·					
YEAR		Financial	Data for th	e past five years (No	te1)	Mar 31, 2014
Item	2009	2010	2011	2012	2013	(Note 2)
Interest Revenue			•	9,088,649	9,239,639	2,353,385
Less: interest expense				3,426,807	3,399,120	891,761
Net interest				5,661,842	5,840,519	1,461,624
Net revenue others than interest				3,628,689	4,650,027	1,126,487
Total net revenue				9,290,531	10,490,546	2,588,111
Provision reversal of allowance for doubtful accounts				(647,490)	(95,868)	(35,306)
Operating expense				6,830,721	7,178,056	1,742,769
Income before income tax				3,107,300	3,408,358	880,648
Income tax (expense) revenue				(460,977)	(520,554)	(152,685)
Income after income tax				2,646,323	2,887,804	727,963
Discontinue segment profit/						
loss	Not Co	mpiled wi	th IFRS		-	
Net income	Not Co	mpned wi	ui ii KS	2,646,323	2,887,804	727,963
Other comprehensive income after tax				215,833	686,856	217,076
Total comprehensive income				2,862,156	3,574,660	945,039
Net income attributable to owner's of bank				2,634,718	2,867,891	718,954
Net income attributable to Non-controlling interests				11,605	19,913	9,009
Net profit attributable to owner's of bank				2,850,536	3,554,518	936,030
Net profit attributable to Non-controlling interests				11,620	20,142	9,009
Earning per share				\$1.28	\$1.30	0.32

Note 1: The Bank has adopted the International Financial Reporting Standards for less than five years. As such, we have prepared financial statements for the years 2009, 2010 and 2011 in accordance with the financial accounting standards of the Republic of China.

Note 2: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2014.

(5) Condensed Comprehensive Income Statement - IFRS

Year		Financial I	Data for Tl	he Past Five years (Note1)	Mar 31,2014	
Item	2009	2010	2011	2012	2013	(Note2)	
Interest Revenue				9,117,046	9,271,343		
less: Interest Expense				3,382,254	3,350,022		
Net Interest				5,734,792	5,921,321		
Net revenues others than interest				1,706,763	2,557,835		
Total net revenue				7,441,555	8,479,156		
Provision reversal of allowance for doubtful accounts				(647,490)	(95,890)		
Operating expenses				5,038,621	5,236,264	Consolidated	
Income before income tax	Not Cor	npiled with	ı IFRS	3,050,424	3,338,782	Statement Only	
Income tax revenue(expense)				(415,706)	(470,891)	Statement Only	
Income after income tax				2,634,718	2,867,891		
Discontinue segment profit				-	-		
Net income				2,634,718	2,867,891		
Other comprehensive income after tax				215,818	686,627		
Total comprehensive income				2,850,536	3,554,518		
Earning per share				\$1.28	\$1.30		

Note 1: The Bank has adopted the International Financial Reporting Standards for less than five years. As such, we have prepared financial statements for the years 2009, 2010 and 2011 in accordance with the financial accounting standards of the Republic of China. Note 2: All financial data have been audited by independent auditors.

(6) Condensed Income Statement -R.O.C. GAAP

In NT\$ thousand

Year		Financial dat	a for the Past Five Y	Years (Note)				
Item	2009	2010	2011	2012	2013			
Net interest	5,842,861	6,650,288	6,662,353					
Net revenues other than interest	827,096	250,278	644,539					
Bad debts	1,359,427	409,502	121,500					
Operating expenses	4,635,022	4,658,552	4,964,012					
Income (loss) before income tax	675,508	1,832,512	2,221,380					
Income (loss) before cumulative effect of accounting changes	255,886	1,410,425	1,826,615		ondensed Income			
Profit (loss) of discontinued operations (Net of tax)	-	-	-	Statem	ont II Ko			
Extraordinary profit (loss)(Net of tax)	-	-	-					
Cumulative effect of accounting changes (Net of tax)	-	-	-					
Net Income (loss)	255,886	1,410,425	1,826,615					
Earnings (loss) per share (\$)	\$0.18	\$0.92	\$0.95					

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

(7) Name of CPAs and the Auditors' Opinion

Year	CPA Firm	Independent Auditors	Audit Opinion
2009	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion note
2010	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion note
2011	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion note
2012	Deloitte & Touche	Terence Huang/Vincent Cheng	Unqualified opinion
2013	Deloitte & Touche	Terence Huang/Vincent Cheng	Unqualified opinion

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

2. Financial Analysis and Capital Adequacy Ratio

(1) Financial Analysis & Key Performance Index (KPI) A. Consolidated Financial Report.

			n NT\$ thousand					
	Year		Mar 21 2014					
Item(No	ote3)	2009	2010	2011	2012	2013	Mar 31,2014	
	Loans to deposits ratio (%)		•		60.50	63.32	65.17	
	Non-performing loan ratio (%)					0.26	0.26	
Opera	Interest expense to average total deposits (%)				1.04	0.97	0.97	
Operating capability	Interest revenue to average total loans (%)				4.64	4.28	3.99	
ility	Total asset turnover (times)				0.0228	0.0246	0.0230	
	Average net income per employee				2,670	2,974	2,910	
	Average earnings per employee				760	818	818	
	Return on tier 1 capital (%)				14.80	14.54	Nte9	
Prc	Return on assets (%)				0.65	0.68	0.65	
Profitability	Return on equity (%)				10.94	10.71	9.99	
lity	Net income ratio (%)				28.48	27.53	28.13	
	EPS (NT\$)	BASEL III NOT APPLICABLE			1.28	1.30	0.32	
Str	Total liabilities to total assets ratio(%)				93.86	93.48	93.52	
Financial Structure	Fixed assets to shareholders' equity ratio (%)				30.62	26.65	26.00	
Growth rate	Asset growth ratio (%)				2.39	6.56	4.10	
h rate	Profitability growth ratio (%)				37.00	9.69	3.35	
ű	Cash flow ratio (%)				-	-	8.08	
Cash Flow	Cash flow adequacy ratio (%)				413.08	315.88	191.88	
OW	Cash flow reinvestment ratio (%)				-	-	1383.52	
Liquid Rese	erve Ratio (%)				29.02	23.86	23.86	
Balance of	Secured Loans to Related Parties				1,395.,602	1,840,562	1,834,396	
	Total Secured Loans to Related Parties as a % of Total Loans				0.65	0.76	0.71	
С	Market share of asset (%)				1.00	0.97		
Operation Scale	Market share of net worth (%)					1.01	N . 10	
on Sca	Market share of deposits (%)				1.03	1.06	Note 10	
le le	Market share of loans (%)				0.93	1.03		

Year	:					
Item(Note3)	2009	2010	2011	2012	2013	Mar 31,2014

- 1. The increase in the NPL ratio was primarily due to the slight increase in the amount of overdue corporate banking loans.
- 2. Increase in asset growth was primarily due to an increase of \$27,089 million in total assets in 2013, which was higher compared to \$9,661 million in 2012. Increase in total assets in 2013 was primarily contributed by increase in discounts and loans of \$28,186 million, and other financial assets of \$7,844 million. Increase in total assets in 2012 was primarily contributed by increase in bills and bonds purchased with agreement to resell totaling \$21,507 million.
- 3. Profitability saw a decline primarily due to the amortization of non-performing loans disposed of in 2006. Amortization of the non-performing loans concluded in 2011, however, the amortization expense had reduced a certain amount of the Bank's profits. The Bank's profit saw a significant improvement from 2012 as the effect of amortization no longer existed. Profitability continued to improve for the 2013 income year, though at a slower pace compared to the previous year.
- Note 1: The Bank has adopted the International Financial Reporting Standards for less than five years. As such, we have prepared financial statements for the years 2009, 2010 and 2011 in accordance with the financial accounting standards of the Republic of China.
- Note 2: All financial data have been audited by independent auditors.

Note 3: Financial ratios are computed as follows:

- I. Operating Capability
 - i. Loans to deposits ratio=Total loans/total deposits (excluding redeposits of Chunghwa Post Co.)
 - ii. Non-performing loan ratio=Total NPL/total loans
- iii. Interest expense to average total deposits=Deposits related interest expense/ average total deposits
- iv. Interest revenue to average total loans= Loans related interest revenue/ average total loans
- v. Total asset turnover= Net operating revenue/ average 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 and equipment to net worth ratio=Fixed assets and equipment, 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.
- 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).
- 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*.
- Note 4: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve and contingency

reserve

Note 5: I. Measurement should be based on the weighted average number of common shares, not the number of issued shares

at year end.

- II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
- III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
- IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
- V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted
- from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.
- Note 6: 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.
- Note 7: Revenue refers to the sum of interest income and non-interest income.
- Note 8: The following notes apply when conducting cash flow analysis:
 - I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
 - II. Capital expenditures means the amounts of cash out-flows for annual capital investment.
 - III. Cash dividend includes cash dividends from both common shares and preferred shares.
 - VI. Gross real estate and equipment refers to total real estate and equipment before deducting accumulated depreciation.
- Note 9: The BASEL 3 regulations require companies to prepare consolidated financial information every six months.
- Note 10 The Banking Bureau has scheduled to upload the data of domestic banks for March 2014 on May 15, 2014.

(B) Financial Analysis – Financial Report

	Year		Financial Data	a for the Past F	Five Years (Note1		n NT\$ thousand
Item		2009	2010	2011	2012	2013	Mar 31,2014
1 com	Loans to deposits ratio (%)				60.50	63.72	
	Non-performing loan ratio (%)				0.23	0.26	
Opera	Interest expense to average total deposits (%)				1.03	0.95	
Operating capability	Interest revenue to average total loans (%)				4.61	4.26	
ility	Total asset turnover (times)				0.0184	0.0201	
	Average net income per employee				2,320	2,610	
	Average earnings per employee				822	883	
	Return on tier 1 capital (%)				15.07	14.17	
Pr	Return on assets (%)	Not e	edited by IF	RS	0.65	0.68	
Profitability	Return on equity (%)				11.00	10.74	
ility	Net income ratio (%)				35.41	33.82	
	EPS (NT\$)				1.28	1.30	
Fin	Total liabilities to total assets ratio(%)				93.86	93.49	
Financial Structure	Fixed assets to shareholders' equity ratio (%)				30.85	26.85	Consolidated Statement Only
Growth rate	Asset growth ratio (%)				2.40	6.63	
ı rate	Profitability growth ratio (%)				37.32	9.45	
	Cash flow ratio (%)				-	-	
Cash Flow	Cash flow adequacy ratio (%)				1388.05	1493.53.	
WC	Cash flow reinvestment ratio (%)				-	-	
Liquid Rese	erve Ratio (%)				29.02	23.86	
Balance of S	Secured Loans to Related Parties				3,440,528	4,008,350	
	Total Secured Loans to Related Parties as a % of Total Loans				1.61	1.65	
	Market share of asset (%)				0.99	0.97	
Operation Scale	Market share of net worth (%)				0.95	1.00	
n Scal	Market share of deposits (%)				1.03	1.06	
ē	Market share of loans (%)				0.94	1.04	

The reason of financial ratio fluctuation in recent year:

- 1. Increase in asset growth was primarily due to an increase of \$27,136 million in total assets in 2013, which was higher compared to \$9,603 million in 2012. Increase in total assets in 2013 was primarily contributed by increase in discounts and loans of \$28,309 million, and other financial assets of \$8,344 million. Increase in total assets in 2012 was primarily contributed by increase in bills and bonds purchased with agreement to resell totaling \$21,513 million 2. Profitability saw a decline primarily due to the amortization of non-performing loans disposed of in 2006. Amortization of the non-performing loans concluded in 2011, however, the amortization expense had reduced a certain amount of the Bank's profits. The Bank's profit saw a significant improvement from 2012 as the effect of
- Amortization of the non-performing loans concluded in 2011, however, the amortization expense had reduced a certain amount of the Bank's profits. The Bank's profit saw a significant improvement from 2012 as the effect of amortization no longer existed. Profitability continued to improve for the 2013 income year, though at a slower pace compared to the previous year.
- Note 1: The Bank has adopted the International Financial Reporting Standards for less than five years. As such, we have prepared financial statements for the years 2009, 2010 and 2011 in accordance with the financial accounting standards of the Republic of China.
- Note 2: All financial data for the most recent two years was audited by CPA.
- Note 3: Financial ratios are computed as follows:

I. Operating Capability

Loans to deposits ratio=Total loans/ total deposits (excluding redeposits of Chunghwa Post Co.)

Non-performing loan ratio=Total NPL/total loans.

Interest expense to average total deposits= Total interest expense/ average total deposits.

Interest revenue to average total loans=Total interest revenue/ average total loans.

Total asset turnover= Net operating revenue/ total assets.

Average net income per employee= Net operating revenue/ total number of employees.

Average earnings per employee= Net income after tax/ total number of employees.

II .Profitability

Return on tier 1 capital= Net income before tax/ average total tier 1 capital.

Return on assets= Net income after tax/ average total assets.

Return on equity= Net income after tax/ average shareholders' equity.

Net Income ratio= Net income after tax/ net income.

Earnings per share= (Net Income after tax - preferred stock dividend)/weighted average outstanding shares

III.Financial structure

Total liabilities to total assets ratio=Total liabilities/total assets.

Fixed assets to net worth ratio=Fixed assets, net/shareholders' equity, net.

IV.Growth rate

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.

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

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). Cash flow adequacy ratio=Net cash from operating activities for the past five years/(capital expenditure+cash dividends) incurred for the past 5 years.

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

Market share of assets=Total assets/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of net worth=Net worth/total net worth of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of deposits=Total deposits/total deposits of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of loans=Total loans/total loans of all authorized deposit- taking and loan-underwriting financial institutions*.

- Note 4: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve and contingency reserve.
- Note 5: I. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
 - II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
 - III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
 - IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
 - V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.
 - Note 6: 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.
 - Note 7: Revenue refers to the sum of interest income and non-interest income.
 - Note 8: The following notes apply when conducting cash flow analysis:
 - I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
 - II. Capital expenditures means the amounts of cash out-flows for annual capital investment.
 - III. Cash dividend includes cash dividends from both common shares and preferred shares.
 - IV. Gross real estate and equipment refers to total real estate and equipment before deducting accumulated depreciation.

(C) Financial Analysis - (R.O.C. GAAP)

NT\$ thousand

	Year	Financial Data in the past five years							
Item	Item		2010	2011	2012	2013			
Operating capability	Loans to deposits ratio (%)	63.29	66.03	59.70					
	Non-performing loan ratio (%)	2.35	0.74	0.36					
	Interest expense to average total deposits (%)	1.36	0.90	0.94		inancial Report of			
	Interest revenue to average total loans (%)	5.54	5.13	5.00					
	Total asset turnover (times)	0.0192	0.0190	0.0184		1			

	Year		Financial Data in the past five years						
Item		2009	2010	2011	2012	2013			
	Average net income per employee	2,294	2,320	2,349					
	Average earnings per employee	88	474	587					
	Return on tier 1 capital (%)	6.72	14.68	15.28					
Pro	Return on assets (%)	0.07	0.40	0.48					
Profitability	Return on equity (%)	1.48	7.50	8.69					
lity	Net income ratio (%)	3.84	20.44	25.00					
	EPS (NT\$)	0.18	0.92	0.95					
Fin Stn	Total liabilities to total assets ratio(%)	94.93	94.44	94.47					
Financial Structure	Fixed assets to shareholders' equity ratio (%)	47.20	40.26	36.23					
Growth rate	Asset growth ratio (%)	(2.95)	4.59	9.54					
h rate	Profitability growth ratio (%)	137.75	171.28	21.22					
C,	Cash flow ratio (%)	26.39	12.16	9.50					
Cash Flow	Cash flow adequacy ratio (%)	2,207.02	2,664.04	2,533.15					
OW	Cash flow reinvestment ratio (%)	301.60	54.14	12.46					
Liquid Rese	rve Ratio (%)	23.81	21.13	29.97					
Balance of S	Secured Loans to Related Parties	5,210,915	3,623,169	3,022,980					
	Total Secured Loans to Related Parties as a % of Total Loans		1.81	1.49					
0	Market share of asset (%)	0.98	0.97	1.00					
Operation Scale	Market share of net worth (%)	0.82	0.88	0.91					
n Scal	Market share of deposits (%)	0.95	0.96	1.02					
	Market share of loans (%)	0.92	0.96	0.92					

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

Note 2: Financial ratios are computed as follows:

I. Operating Capability

Loans to deposits ratio=Total loans/total deposits (excluding redeposits of Chunghwa Post Co.)

Non-performing loan ratio= Total NPL/ total loans

Interest expense to average total deposits=Total interest expense/ average total deposits

Interest revenue to average total loans=Total interest revenue/ average total loans

Total asset turnover= Net operating revenue/ total assets

Average net income per employee= Net operating revenue/ total number of employees.

Average earnings per employee= Net income after tax/total number of employees.

II. Profitability

Return on tier 1 capital= Net income before tax/ average total tier 1 capital.

Return on assets= Net income after tax/ average total assets.

Return on equity= Net income after tax/ average shareholders' equity.

Net Income ratio= Net income after tax/ net income.

Earnings per share= (Net Income after tax - preferred stock dividend)/weighted average outstanding shares

III. Financial structure

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

IV. Growth rate

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. 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

 $Cash flow \ ratio = Net \ cash from \ operating \ activities/(call \ loans \ to \ banks + CD \ payable + change \ in fair \ value \ of \ financial \ liabilities \ through \ the income \ statement + repurchase \ securities \ payable + Liabilities-current \ portion \ due \ within \ one \ year).$

Cash flow adequacy ratio=Net cash from operating activities for the past five years/(capital expenditure + cash dividends) incurred for the past 5 years.

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

Market share of assets=Total assets/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of net worth=Net worth/total net worth of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of deposits=Total deposits/total deposits of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of loans=Total loans/total loans of all authorized deposit-taking and loan-underwriting financial institutions*.

- Note 3: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve, reserve for securities trading loss, reserve for loss arising from breach of contract and contingency reserve.
- Note 4: I .Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
 - II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
 - III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
 - IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
 - V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.
 - Note 5: 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.
 - Note 6: Revenue refers to the sum of interest income and non-interest income.
 - Note 7: The following notes apply when conducting cash flow analysis:
 - I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
 - II. Capital expenditures means the amounts of cash out-flows for annual capital investment.
 - III. Cash dividend includes cash dividends from both common shares and preferred shares.
 - IV. Gross real estate and equipment refers to total real estate and equipment before deducting accumulated depreciation.

(2) Capital Adequacy

(Unconsolidated)

In NT\$ thousand

		Year(Note1)]	Mar				
Item			2009	2010	2011	2012	2013	31,2014
H	Common Stock	s Equity						24,544,233
Regulatory Capital	Other Tier1 C Equity	Capital of Non-Common Stock					0	0
tory	Tier2 Capital						6,624,701	6,264,061
	Regulatory C	apital					30,187,442	30,808,294
		Standardized Approach					190,929,908	201,654,123
		Internal Ratings-Based Approach			-	-		
R	Credit risk	Credit Valuation Adjustment (CVA)					18,320	15,210
isk V		Asset Securitization					1,219,545	1,236,054
Veigh		Basic Indicator Approach	Basel III not applicable				15,405,625	15,405,625
Risk Weighted Assets	Operation risk	Standardized Approach/ Alternative Standardized Approach					-	-
S		Advanced Measurement Approach					-	-
	Market	Standardized Approach					9,234,588	13,933,771
	Risk	Internal Model Approach					-	-
	Total Risk-we						216,807,986	232,244,782
Capita	Capital Adequacy Ratio				13.92%	13.27%		
Ratio	Ratio of tier 1 capital to risk-weighted assets				10.87%	10.57%		
Ratio	Ratio of common stock equity to risk-weighted assets						10.87%	10.57%
Levera	age Ratio						4.47%	4.47%

Note1: The financial data in 2013 was computed based on the BASEL3 standards and was audited by CPA with the exception of the first quarterly financial data for 2014.

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
- $ii. \quad \text{Total risk-weighted assets=Credit risk weighted assets+(operational risk+market risk) capital appropriation* 12.5.}\\$
- 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
- 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.

(Consolidated)

In NT\$ thousand

		Year(Note1)	Financial Data for the Past Five Years (Note2)				
Item			2009	2010	2011	2012	2013
	Common Stock	c Equity					23,436,734
Regulatory Capital	Other Tier1 C Equity	Capital of Non-Common Stock					0
tory	Tier2 Capital						9,229,142
	Regulatory C	apital					30,665,876
		Standardized Approach					199,593,002
		Internal Ratings-Based Approach					-
R	Credit risk	Credit Valuation Adjustment (CVA)					18,320
isk V	Asset Securitization Basic Indicator Approach						1,252,907
Veigh				Basel III no	ot applicable		17,706,850
Risk Weighted Assets	Operation risk	Standardized Approach/ Alternative Standardized Approach					-
ts		Advanced Measurement Approach					-
	Market	Standardized Approach					10,280,113
	Risk	Internal Model Approach					-
	Total Risk-we	eighted Assets					228,851,192
Capital Adequacy Ratio					14.27%		
Ratio of tier 1 capital to risk-weighted assets						10.24%	
Ratio of common stock equity to risk-weighted assets							10.24%
Levera	nge Ratio						4.38%

Note1: The financial data in 2013 was computed based on the BASEL3 standards and was audited by CPA with the exception of the first quarterly financial data for 2014.

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

(Unconsolidated)

		Year(Note1)	The capital ade	equacy of recen		N 1 9 tilousain
Iter	n		2009	2010	2011	2012
		Common Stock	19, 188, 244	16, 459, 908	16, 459, 908	20, 060, 202
		Irredeemable non-cumulative preferred stock	0	0	0	C
		Non-cumulative subordinate debentures with no maturity date	0	0	0	0
		Capital collected in advance	0	0	0	0
		Capital Surplus (excl. fixed asset revaluation increment	33, 811	33, 811	33, 811	33, 811
		surplus)			252 252	
		Legal Reserve	0	0	352, 978	900, 963
		Special Reserve	0	0	874, 473	608, 209
	Ti1:4-1	Cumulative Profit/Loss	-2, 825, 825	1, 176, 594	1, 826, 615	2, 621, 624
	Tier1 capital	Minority Shareholding	0	0	0	()
		Other Shareholders' Equity	-116, 848	-801, 428	-1, 036, 271	-1, 137, 674
		Less: Goodwill	2, 369, 638	2, 374, 485	2, 119, 709	1, 985, 307
		Unamortized loss on sale of delinquent loans	0	0	0	0
		Deferred income tax assets based on the bank's future profitability	0	0	0	0
		Unrealised gain on available-for-sale financial assets	0	0	0	0
		Deduction items	2, 481, 671	954, 735	856, 919	861, 657
Reg		Total Tier 1 Capital	11, 428, 073	13, 539, 665	15, 534, 886	20, 240, 171
ulatory	nlatory Capital	Irredeemable Cumulative Preferred Stock	4, 000, 000	3, 025, 088	3, 025, 088	204, 194
Regulatory Capital		Cumulative subordinate debentures with no maturity date	0	0	0	0
		Fixed asset revaluation increment surplus	0	0	0	0
		45% of unrealized gain on financial assets available for sale	34, 503	90, 224	192, 628	351, 934
		Convertible bonds	0	0	0	0
		Operating reserve and	0	0	0	656, 743
	Tier2 Capital	allowance for bad debts Long-term subordinate	2 140 000	1 450 000	9 990 000	4, 040, 000
		debentures	3, 140, 000	1, 458, 000	2, 880, 000	4, 040, 000
		Redeemable preferred stocks	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 Tigs 1 Conital	0	0	0	l
		of total Tier 1 Capital Less: Deduction items	1, 661, 979	857, 384	851, 875	861, 657
		Less: 50% of Cumulative Loss	2, 825, 825	001, 304	001, 010	(001, 001
		Total Tier 2 Capital	2, 686, 699	3, 715, 928	5, 245, 841	4, 391, 214
	Tior? Comital	Short-term subordinate debentures	2, 080, 099	0, 113, 928	0, 243, 641	4, 551, 214
	Tier3 Capital	Redeemable preferred stock	0	0	0	(
		Total Tier 3 Capital	0	0	0	(
	Regulatory C	•	14, 114, 772	17, 255, 593	20, 780, 727	24, 631, 385

_						
		Year(Note1)	The capital ad	equacy of recer	nt five years	
Iten	1		2009	2010	2011	2012
		Standardized Approach	138, 505, 286	154, 210, 916	157, 020, 298	172, 264, 571
		Internal Ratings-Based Approach	0	0	0	0
	Credit risk	Credit Valuation Adjustment (CVA)	0	0	0	0
Risk		Asset Securitization	1, 024, 060	629	0	2, 173, 343
k W		Basic Indicator Approach	14, 901, 512	14, 993, 291	15, 633, 843	15, 472, 421
Weighted Assets	Operation risk	Standardized Approach/ Alternative Standardized Approach	0	0	0	0
ssets		Advanced Measurement Approach	0	0	0	0
	Market	Standardized Approach	4, 298, 058	3, 225, 875	5, 666, 525	6, 945, 775
	Risk	Internal Model Approach	0	0	0	0
	Total Risl	c-weighted Assets	158, 728, 916	172, 430, 711	178, 320, 666	196, 856, 110
Capita	l Adequacy I	Ratio	8. 89%	10.01%	11.65%	12. 51%
Ratio of tier 1 capital to risk-weighted assets		7. 20%	7.85%	8. 71%	10. 28%	
Ratio of tier 2 capital to risk-weighted assets		1.69%	2.16%	2. 94%	2. 23%	
Ratio of tier 3 capital to risk-weighted assets			0	0	0	0
R	atio of comn	non stocks to total assets	5. 53%	4.53%	4.14%	4. 93%
NT . 1		1 1 1 · C 2000 · 2112	11: 11 CD	:4 D 10	1	

Note1: All financial data from 2009 to 2112 was audited by CPA with Basel 2.

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* 12.5.
- iii. Capital adequacy ratio= Regulatory capital/Total risk-weighted assets.
- iv. Ratio of tier 1 capital to risk-weighted assets = Tier 1 capital/Total risk-weighted assets.
- v. Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital/Total risk-weighted assets.
- vi. Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital/Total risk-weighted assets.
- vii. Common Stock to Total Assets Ratio=Common Stock/Total Assets.

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

Year (Note1)			Financial Data for the recent five years (note2)				
Item			2009	2010	2011	2012	
		Common Stock	19,188,244	16,459,908	16,459,908	20,060,20	
		Irredeemable non-cumulative preferred stock	0	0	0		
		Non-cumulative subordinate debentures with no maturity date	0	0	0		
		Capital collected in advance	0	0	0		
		Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	33,811	33,811	33,8	
	Tier1	Legal Reserve	0	0	352,978	900,9	
	capital	Special Reserve	0	0	874,473	608,2	
	Сарпаі	Cumulative Profit/Loss	-2,825,825	1,176,594	1,826,615	2,621,6	
		Minority Shareholding	1,728,522	214,532	225,047	236,5	
		Other Shareholders' Equity	-116,848	-801,428	-1,036,271	-1,137,6	
		Less: Goodwill	2,369,638	2,374,485	2,119,709	1,985,3	
		Unamortized loss on sale of delinquent loans	0	0	0	1,500,0	
		Deduction items	1,755,385	508,339	364,323	340,8	
		Total Tier 1 Capital	13,882,881	14,200,593	16,252,529	20,997,5	
		Irredeemable Cumulative Preferred Stock	4,000,000	3,025,088	3,025,088	204,1	
Regulatory Capital		Cumulative subordinate debentures with no maturity date	0	0	0	204,.	
		Fixed asset revaluation increment surplus	0	0	0		
		45% of unrealized gain on financial assets available for sale	34,503	90,224	192,628	351,9	
		Convertible bonds	0	0	0		
	Tier2	Operating reserve and allowance for bad debts	16,353	0	23,894	660,4	
	capital	Long-term subordinate debentures	3,070,833	1,458,000	2,880,000	4,040,0	
		Redeemable preferred stocks	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		
		Less: Deduction items	935,693	410,987	364,323	340,8	
		Less: 50% of Cumulative Loss	2,825,825	0	0		
		Total Tier 2 Capital	3,360,171	4,162,325	5,757,287	4,915,	
		Short-term subordinate debentures	0	0	0	, ,	
	Tier3	Redeemable preferred stock	0	0	0		
	capital	Total Tier 3 Capital	0	0	0		
	Regulatory C	1	17,243,052	18,362,918	22,009,816	25,913,2	
	regulatory	Standardized Approach	153,104,392	161,235,905	164,071,544	179,355,9	
	Credit ris		0	0	0	-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
		Asset Securitization	1,078,855	54,476	37,186	2,210,0	
Risk- weighted		Basic Indicator Approach	16,297,550	16,722,350	17,361,014	17,483,5	
	Operation risk	al Standardized Approach/ Alternative Standardized Approach	0	0	0		
Assets		Advanced Measurement Approach	0	0	0		
	Made	Standardized Approach	5,196,627	3,314,250	5,790,138	7,249,3	
	Market ris	Internal Model Approach	0	0	0		
	Total Risk-w	reighted Assets	175,677,424	181,326,981	187,259,882	206,298,9	
	uacy Ratio	0	9.82%	10.13%	11.75%	12.50	

Year (Note1)	Financial Data fo	or the recent five	years (note2)	
Item	2009	2010	2011	2012
Ratio of tier 1 capital to risk-weighted assets	7.90%	7.83%	8.68%	10.18%
Ratio of tier 2 capital to risk-weighted assets	1.92%	2.30%	3.07%	2.38%
Ratio of tier 3 capital to risk-weighted assets	0	0	0	0
Ratio of common stocks to total assets	5.33%	4.50%	4.10%	4.88%

Note1: All financial data from 2009 to 2012 was audited by CPA with Basel 2.

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 ×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.

2. Supervisors' Report for the 2013 Financial Statements

Union Bank of Taiwan Co., Ltd.

Supervisors' Report

The Board of Directors of the Bank has prepared and submitted the 2013 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: Pao-Shing Co., Ltd.

Representative: Jia-Yi Wang



Supervisor: Pao-Shing Investment Co., Ltd.

Representative: Zhen-Lu Lin



Supervisor: Pai-Sheng Investment Co., Ltd.

Representative: Si-Yong Lin



March 19, 2014

- 3. Financial Statements for 2013: please refer to Page 149 to Page 254
- 4. 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.

1. Financial Status

Year	Dag 21 2012	Dag 21 2012	Difference			
Item	Dec. 31, 2013	Dec. 31, 2012	Amount	%		
Cash & cash equivalent, Due						
from Central Bank and other	79,101,215	85,036,973	(5,935,758)	-7%		
banks						
Financial assets at fair value	10,115,316	8,297,349	1,817,967	22%		
through profit or loss(note 1)	10,113,510	0,277,547	1,017,707	2270		
Securities purchased under	20,237,019	21,780,368	(1,543,349)	-7%		
re-sale agreements	20,237,017	21,700,200	(1,5 15,5 17)	. , , 0		
Account receivable – net	13,917,483	14,435,559	(518,076)	-4%		
Current income tax asset	160,672	100,505	60,167	60%		
Discount & loans – net	227,974,804	199,788,512	28,186,292	14%		
Financial assets available for	0 711 202			160/		
sale – net	8,711,283	10,331,378	(1,620,095)	-16%		
Held-to-maturity investment	440,233	811,872	(371,639)	-46%		
financial asset (note 2)	440,233	011,072	(3/1,039)	-40%		
Stock investments accounted	54,294	54,490	(196)	0%		
for under the Equity Method	34,234	34,490	(190)	070		
Other Financial Assets - net	57,559,287	49,714,759	7,844,528	16%		
Property & equipment – net	7,644,442	7,729,000	(84,558)	-1%		
Investment property-net	2,777,603	2,792,110	(14,507)	-1%		
Intangibles	2,049,795	2,087,971	(38,176)	-2%		
Due to Central Bank & other	2,992,503	3,475,913	(483,410)	-14%		
banks						
Other assets	6,419,023	6,629,256	(210,233)	-3%		
Total assets	440,154,972	413,066,015	27,088,957	7%		
Due to Central Bank & other	5,315,113	6,422,684	(1,107,571)	-17%		
banks	3,313,113	0,122,001	(1,107,371)	1770		
Financial liability at fair	16,006	27,417	11,411	-42%		
value through profit or loss	10,000	27,117	11,111	.270		
Securities sold under	24.502.655	20,200,240	(2.70 ((02)	120/		
re-purchase agreement	24,582,657	28,289,349	(3,706,692)	-13%		
Accounts Payable (Notes 3)	4,267,543	6,710,952	(2,443,409)	-36%		
Current income tax liabilities	18,954	31,307	(12,353)	-39%		
Deposit & remittance	364,084,582	336,561,067	27,523,515	8%		
Bank debentures(Note4)	7,400,000	5,200,000	2,200,000	42%		
Other financial	2,180,986	1,285,497	895,489	70%		
liability(Note5)	2,100,900	1,203,497	093,409	70%		
Provision	769,416	811,124	(41,708)	-5%		
Deferred income tax	574,580	352,229	222,351	63%		
liabilities	374,300	332,229	222,331	0370		
Other liabilities	2,264,761	2,132,118	132,643	6%		
Total liabilities	411,474,598	387,823,744	23,650,854	6%		
Capital stock	22,165,251	20,264,396	1,900,855	9%		
Capital surplus	34,288	32,413	1,875	6%		
Retained earnings	5,391,915	4,574,007	817,908	18%		
Others equity (note 6)	831,878	134,555	697,323	518%		

Total equity attributable to owners of the Bank	28,423,332	25,005,371	3,417,961	14%
Non control interest	257,042	236,900	20,142	9%
Total Equity	28,680,374	25,242,271	3,438,103	14%

Notes:

- 1. The increase in Financial assets at fair value through profit or loss was due to and increase of \$2,428 million in total commercial paper investment in 2013.
- 2. The decrease in held-to-maturity financial assets was due primarily to the decrease of the government bond investment.
- 3. The decrease of account payable was due to the decrease of notes payable.
- 4. The increase in Bank debentures was due to the issue of 1st Subordinated Financial Debentures for 3,000million..
- 5. The increase in Other financial liability was the increase of \$1,000million in commercial paper payable.
- 6. The increase in Other equity was due to the increase of unrealized revenue in Held-to-maturity investment financial asset

2. Results of Operation

In NT\$ thousand

Item	2013 Amount		20)12	Change in	Change in
Item			Am	ount	Amount	%
Interest Income		\$5,840,519		\$5,661,842	178,677	3%
Income other than Interest Income		4,650,027		3,628,689	1,021,338	28%
Reversal of Bad debt expense		(95,868)		(647,490)	551,622	-85%
Operating expense		7,178,056		6,830,721	347,335	5%
Wages & salaries	2,838,048		2,632,434		205,614	8%
Depreciation & amortization expense	1,660,786		1,538,774		122,012	8%
Other business & administrative expense	2,679,222		2,659,513		19,709	1%
Income (loss) before tax		3,408,358		3,107,300	301,058	10%
Income tax benefits (expense)		520,554		460,977	59,557	13%
Consolidated income		\$2,887,804		\$2,646,323	241,481	9%
Other comprehensive income, net of income tax		686,856		215,833	471,023	218%
Total comprehensive income		\$3,574,660		\$2,862,156	712,504	25%

Notes of change:

- 1. The increase of net income other than interest was due mainly to the increase of business and caused revenue increase.
- 2. The decrease of bad debt expenses was due primarily to the decrease of bad debt collect.

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

Year Item	2013	2012	Change in %
Cash flow ratio (%)	-	-	-
Cash flow adequacy ratio (%)	315.88%	432.32%	-116.44%
Cash flow satisfaction ratio (%)	-	0.00%	_

Analysis of changes in proportion:

1. The decrease in net cash flow adequacy ratio was due to the increase of operating activities causing the increase of the capital expenditures. .

(2) Liquidity Analysis for the Next Year

In NT\$ thousand

Opening balance of cash			Expected cash surplus (deficit)	Corrective measures for cash Deficiency	
1	operating activities ②	3	1+2+3	Investment Plan	Financing Plan
82,564,182	(1,560,088)	1,803,609	82,807,703	-	-

- 1. Cash flow analysis:
 - (1) Operating activities: The increase was due to the growth of operating activities.
 - (2) Investing and financing activities: The increase in the issue of Bank debentures and Commercial paper to meet the business demand of growth.
 - (3) 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

	Sources of	Date of	Total		Utilization (of Actual or	Estimated	
Project	Funding	Completion	Funding		Sou	rce of Fundi	ng	
	Actual or	Estimated	Required	2010	2011	2012	2013	2014
Office equipment	Self- funding	December 2013	103,319	19,728	22,488	22,659	8,683	-
Transportation equipment	Self- funding	December 2013	45,456	10,246	4,985	8,834	14,666	
Other equipment	Self- funding	December 2013	91,582	40,796	5,367	5,426	10,785	-
Land	Self- funding	December 2013	7,801	7,564	0	237	0	-
Building & improvements	Self- funding	December 2013	373,809	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 2013

 The Bank's Investment profit recognized in 2013 totalled NT\$198,000,000 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
- (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:

time and make adjustments accordingly to ensure performance.

a. Credit Risk Management System-2013

Item	Contents
1. Credit risk management strategies and procedures	 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. 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. 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. Credit risk management procedure: The Bank has employed procedures such as risk recognition, risk measuring, risk offsetting, risk control and risk reporting etc. to establish risk management system.
2. Credit risk	1. Board of Directors: The highest decision-making unit of the Bank's credit
management	risk management policy. Responsible for reviewing the Bank's credit risk
organization and	management policy.
framework	2. Assets and Liabilities Management Committee: Responsible for reviewing

Item	Contents
	the implementation of the Bank's credit risk management. 3. Risk Management Dept.: Responsible for examining the risk management mechanisms established by the respective business administration departments, performing the risk control and submitting the risk control report to the Board of Directors regularly. 4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and properly supervising the performance of risk control of respective business unit. 5. Respective business units: Shall comply with the rules and regulations set forth by the Business Planning and Administration Departments while conducting their day-to-day operations.
3. Scope and characteristics of credit risk reporting and measurement system	 Scope of Risk Reporting 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. The Risk Management Dept. monitors the control of the Bank's credit limits on a periodic basis and reports to the Assets and Liabilities Committee with respect to concentration of credit risks and achievement of the BIS targets set for various business sectors. The Risk Management Dept. also reports to the Board of Directors on the various business volumes achieved, status of nonperforming loans, concentration of credit risks and the execution of credit risk control measures. 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.
4. Credit risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	The Bank employs suitable strategies such as eschewing, transfer, control and undertaking to tackle possible credit risk losses of all business units according to their respective business characteristics and cost-effective considerations. The Bank's IT system provides the relevant risk information to assist the Bank's management to perform risk monitoring procedures. The Risk Management Dept. reports the status of risk control measures to the Board of Directors on a six-monthly basis.
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, 2013

In NT\$ thousand

Type of exposure	Exposure after risk reduction	Capital requirement
Sovereign states	80,942,866	0
Public departments other than the central government	23,644,636	378,314
Banks (including multiple development banks)	15,602,166	280,672
Enterprises (including securities and insurance companies)	40,292,143	3,140,960
Retailing credits	112,896,031	7,438,124
Residential real estate	69,621,418	3,071,114
Investments in equity securities	94,630	30,282
Other assets	18,105,232	934,927
Total	361,199,122	15,274,393

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

a. Risk Management System of Asset Securitization in 2013

a. Kr	k ivianagement System of Asset Secundzation in 2015
Item	Contents
Management strategy and procedure of securitization	(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.
	(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.
2. Securitization	The Bank does not act as the originating bank of any securitized products. The
management	risks of positions invested are evaluated and reviewed by the investing unit and
organization and	the Bank's risk management department periodically.
framework	
3. Scope and	In addition to observing the global economy and market interest rate change in
characteristics of	connection with the investment on securitization products, regular evaluation and
securitization risk	monitoring on risk and income are performed periodically and the results are
report and measuring	submitted to Asset and Liability Management committee and the Board of
system	Director.
4. Securitization	The relevant units shall review and control the securitized products periodically.
hedging or risk	
reduction policies,	
and effective	
strategies and	
procedures for	

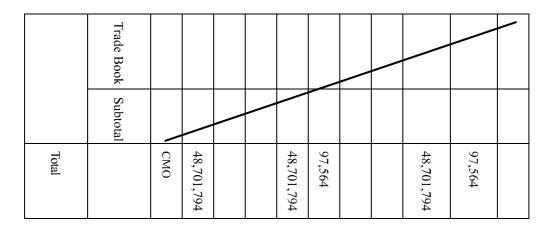
Item	Contents
controlling risk hedging and risk reduction tools	
5. Approach to require the authorized capital	Standard Method
6. Disclosure of Marco qualitative: a. Objectives of securitization activities and the risk of resecuritization. b. Other risk of asset securitization. c. The role and the degree of involvement in securitization process. d. The description of monitoring tool in credit and market fluctuation related to securitization exposure. e. Management policy of offsetting credit risk in securitization and re securitization.	Not applicable since the Bank does not act as the originating bank of securitized product.
7. The description of accounting policy of bank's securitization	
8.Explian the exposure of securitization and ECAI in the banking book	
9. Explain major change in the quantities information after	
reporting period	

b. Status of Asset Securitization As of December 31, 2013

Туре	Total issue amount	Outstanding balance	Amount repurchased				
None							

c. Exposure & Capital Requirement of Asset Securitization As of December 31, 2013

In NT\$ thousand Type of exposure Type of exposure Portfolio Total Conventional Exposures (5) = (1) + (3)Capital requirement (6) = (2) + (4)Capital requirement (2) Capital requirement (4) Exposures Capital requirement prior to securitization Held or Purchased Subtotal (1) Held or Purchased (3) The enhancement of credit provided Liquidity facilities provided Book Type The role of bank 0 97,564 0 97,564 CMO 48,701,794 48,701,794 Non-originating bank Bank Book 48,701,794 0 Trade Book 0 0 0 0 0 0 Subtotal 0 0 0 0 CMO 97,564 48,701,794 48,701,794 48,701,794 Bank Book Originating bank



- d. Information of Securitized commodities investment As of December 31, 2013
 - I. Summary of Investment in Securitized commodities

USD: NTD = 1: 29.950

In NT\$ thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	
СМО	Held-to-maturity financial assets	39,556	0	0	39,556	
СМО	Non-active market debt instruments	48,516,710	0	0	48,516,710	

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: 29.950

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Name of Securities	Account (Note)	Currency	Issuer & Place	Purchase Date Maturity Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss			Attac hment Point	Details of Asset Pool
Ginnie Mae CMO	Non-active market debt instruments	USD	Ginnic Mae	20091130- 2013127 20141116- 20280504	2.5%~ 5.5%	Moody's Aaa	Monthly	41,108,528	0	0	41,108,528		
Freddie CMO	Non-active market debt instruments	USD	Freddie Mac	20121130- 20121227 20170401- 20310129	3.0%~ 3.5%	Fitch AAA	Monthly	969,539	0	0	969,539	N/A	N/A
Fannie Mae CMO	Non-active market debt instruments	USD	Fannie Mae	20121030	3.0%	S&P AA+	Monthly	1,169,348	0	0	1,169,348		

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	raumg		Initial Cost	Cumulative Impairment		Details of Asset Pool
						None				

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

In NT\$ thousand

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

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

In NT\$ thousand

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

- C. Operation Risk Management System and Capital Requirement
 - a. Operation Risk Management System

2013

	2013
Item	Risks
	Strategies:
	The Bank has enacted the "Operation Risk Management Guidelines of Union Bank of Taiwan" which
1. Operation risk	serves as the basis for relevant business units to plan, promote, manage and execute operations risk
management strategies and	management.
procedures	Procedure:
	The Bank has built up an operation risk management mechanism through procedures for risk
	identification, assessment, measuring, monitoring and reporting.

Item	Risks
2. Operational risk management organization and framework	 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. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's operational risk management. 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. 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.
	 All business units: Shall comply with the rules and regulations set forth by the Business Administration departments in daily operations.
3. Scope and characteristics of the operational risk reporting and measurement system	 The Bank adapts the "Guidelines for Collection of Operational Risk Information" and establishes the "Operational Risk Reporting System" for all departments to report any operational risk incident to the Risk Management Dept. 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. 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.
4. Operational risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	 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. 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. 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.
5. Method used to provide the legal capital	Basic Indicator Approach.

b. Operation Risk Capital Requirement As of Dec.31, 2013

Year	Gross profit	Capital requirement
2011	8,484,711	
2012	7,693,634	
2013	8,470,659	

Year	Gross profit	Capital requirement
Total	24,649,004	1,232,450

D. Market Risk Management System and Capital Requirement

a. Market Risk Management System – 2013

a. Market Risk Management System – 2013						
Item	Contents					
Market risk management strategies and procedures	 The Bank has enacted "UNION BANK market risk management principle" approved by the Board of Directors, as the basis for market risk management. The management procedure of market risk management contains the following five processes: Risk Identification: For items on/off the Balance Sheet, the bank identify the market risk factors of various products and investment business to evaluate the risk and define management procedure and control mechanism. 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. 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. 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. Risk reduction: Risk reduction procedures such as risk hedging, investment portfolio adjustment, position allocation, stop-loss and close new transactions. 					
2. Market risk management organization and framework	 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. Asset and Liability Management Committee: Examine the management reports and information submitted by risk management department and the business units. Risk Management Dept.: It is a dedicated independent risk management unit executing three pillars related operation of BASEL Π market risk, planning and building market risk measuring tools, and monitoring according to the risk limits for different products. Business Units: responsible for the execution of daily market risk management for the business they handle, and reporting the market risk and investment status related information to proper authorization level. 					
3. Scope and characteristics of the market risk reporting and measurement system	 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. All business units and Risk Management Department should make relevant 					

Item	Contents
4. Market risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	management reports regularly and submit to proper authorization level. 3. Market risk management system combine with front-desk trading position and middle desk evaluation to generate sufficient information for assisting all management levels to execute each individual risk monitoring task, and can support the capital calculation method selected by a bank to generate relevant internal and external reports as the basis for management decision-making. When market risk is excessive or the position limit or stop-loss limit has been exceeded, the bank will take following market risk reduction method: hedging, portfolio adjustment, position adjustment, square stop-loss and stop new transaction.
5. Method used to provide the	Standardized Approach.
legal capital	

b. Market Risk Capital Requirement

December 31, 2013

In NT\$ thousand

Type of risk	Capital requirement		
Interest rate risk	31,760		
Equity securities risk	588,311		
Foreign exchange risk	118,696		
Product risk	0		
Total	738,767		

- 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, 2013

In NT\$ thousand

						111 1 1 1	Финоизини
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	376,406,219	64,975,293	56,183,070	17,247,970	32,611,679	52,610,070	152,778,137
Main capital outflow on maturity	433,976,847	20,524,427	22,190,166	37,825,509	45,500,635	93,957,585	213,978,525
Gap	-57,570,628	44,450,866	33,992,904	-20,577,539	-12,888,956	-41,347,515	-61,200,388

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, 2013

In US\$ thousand

Item	Total -	The amount of remaining period to maturity					
Item		1~30 days	31~90 days	91~180 days	181 days ~1 year	Over 1 year	
Main capital							
inflow on	2,509,198	638,507	29,290	55,522	91,098	1,694,781	
maturity							
Main capital							
outflow on	2,509,115	983,840	405,951	527,642	246,912	344,770	
maturity							
Gap	83	-345,333	-376,661	-472,120	-155,814	1,350,011	

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 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. The Foreign Account Tax Compliance Act ("FATCA") is a United States federal law that requires foreign financial institutions conducting business or making capital investment in the United States to sign a Foreign Financial Institution Agreement,

under which the financial institutions are obligated to provide account information of US citizens. Non-complying financial institutions will be subject to a 30% tax levy on income sourced from the United States. Due to the complexity of the provisions of the FATCA and the associated effects on several of our businesses, the Bank has engaged a CPA firm to provide consultation to us in order to reduce the impact of the FATCA on the Bank. The Bank needs to invest a substantial amount of manpower resources and time, to identity, confirm, process deductions from and report the account information of US citizens to the IRS. Accordingly, the information system will need to be amended to meet the new reporting requirements, and as such, the Bank's operating cost will increase.

- 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. In response to the Regulations Governing the Protection of the Security of Personal Information File of Non-public Sector Organizations designated by the Financial Supervisory Commission, the Bank will establish an organization that manages the security of personal information, as well as formulate or revise the relevant internal regulations to reduce the risk of personal information being unlawfully disclosed and any loss suffered consequently.
- 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 Ombudsman Institution are expected to increase. The Bank has amended the respective internal business guidelines, documentation and procedures and enhanced training on regulatory requirements. 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.
- (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 Management of Enterprise Group Credit Risk", "Foreign Currency Security Investment Processing Guideline", "Foreign Currency Credit and Country Risk Management Approach", and "Investment Policy" to strenghten 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 wil not be impacted as a result of a significant change in share ownership. The Bank shall ensure infromation 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.

Analysis of the Financial Status and Operating Results & Risk Management

- (10) Legal Actions and Non-contentious Matters: None.
- (11) Other Major Risks and Response Actions thereof: None.

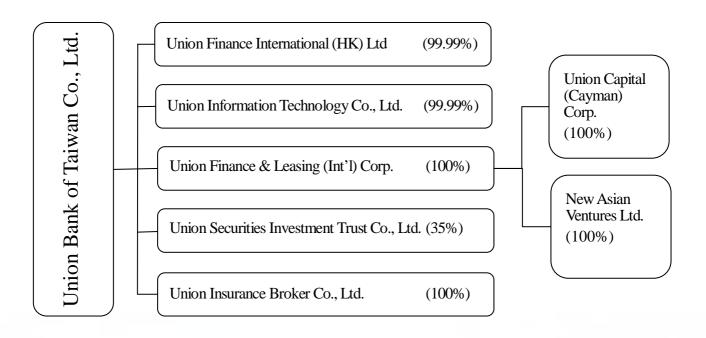
7. Contingency Plan

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

1. Information on Affiliated Enterprises

(1) Organization Chart Shareholding(%)



Amount in NT\$ thousand

Name of Enterprise	Date of Establishme nt	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		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.	1,644	Installment purchase and lease investment businesses
New Asian Ventures Ltd.	1997.10.27	P.O.Box 957,Offshore Incorporations Centre,Road Town,Tortola, British Virgin Islands.	1	Installment purchase and lease investment businesses

Affiliated and Special Notes

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

December 31, 2013

Name of Title		Name of Representative	Shareho	olding
Enterprise	Enterprise		Shares	%
Union Finance	Director	Union Bank of Taiwan (Representative: Jeff Lin)	30,000,000	99.999994%
International (HK) Ltd	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	Chairman	Union Bank of Taiwan (Representative: Angela Shen)		
Technology Co.,	Director	Union Bank of Taiwan (Representative: Cheng-Yu Liu)		
Ltd.	Director	Union Bank of Taiwan (Representative: Luke Yang)	999,923	99.99%
	Supervisor	Union Bank of Taiwan (Representative: Terrence Lin)		
	President	Angela Shen	-	0.00%
Union Securities	Chairman	Kun-Che Investment Co., Ltd. (Representative: Ming-Hsing Ho)		
Investment Trust	Director	Kun-Che Investment Co., Ltd. (Representative: Wen-Ming Lee)		
Co., Ltd.	Director	Kun-Che Investment Co., Ltd. (Representative: Ti-Mao Lee)	5,399,667	17.99%
	Supervisor	Kun-Che Investment Co., Ltd. (Representative: Chao-Hsuan Tsai))		
	President	Lin-Yu Fan	-	0.00%
Union Finance &	Chairman	Union Bank of Taiwan (Representative: Wei-Shin Shen)		
Leasing	Director	Union Bank of Taiwan (Representative: Herman Tu)	70,000,000	100.00%
(International) Co.,	Director	Union Bank of Taiwan (Representative: Cheng-Juh Hsieh)	70,000,000	100.00%
Ltd.	Supervisor	Union Bank of Taiwan (Representative: Yin-Bor Chan)		
	President	Wei-Shin Shen	_	0.00%
Union Insurance	Chairman	Union Bank of Taiwan (Representative: Chun-Hsien Chang)		
Broker Co., Ltd.	Director	Union Bank of Taiwan (Representative: Terrence Lin)		
	Director	Union Bank of Taiwan (Representative: Sophie Hsu)	500,000	100.00%
	Supervisor	Union Bank of Taiwan Co., Ltd. (Representative: Kuo-Shian Shia)		
	President	Chun-Hsien Chang	_	0.00%
Union Capital	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Wei-Shin Shen)	50,000	100,000/
(Cayman) Corp	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)	50,000	100.00%
New Asian Ventures	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Wei-Shin Shen)	1	100.000
Ltd.	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)	1	100.00%

(3) General Information of Affiliated Enterprises

In NT\$ thousand except Earnings Per Share (NT\$)

							-1	(+)
Name of Enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income		Net Income (Loss) After Tax	
Union Finance International (H.K.) Ltd. Note1	106,589	312,200	232,521	79,679	3,623	8,250	(2,103)	
Union Information Technology Co., Ltd.	10,000	89,276	76,368	12,908	154,998	2,778)	7,994	7.99
Union Finance & Leasing (International) Co., Ltd.	700,000	8,578,160	6,322,778	2,255,382	2,093,689	168,296	167,319	2.39

Affiliated and Special Notes

Name of Enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	-	Net Income (Loss) After Tax	
Union Securities Investment Trust Co., Ltd.	300,000	425,495	30,048	395,447	110,318	19,301	30,635	1.02
Union Insurance Broker Co., Ltd.	5,000	44,589	17,462	27,127	585,080	17,688	13,943	27.89
Union Capital (Cayman) Corp. Note2	1,644	498,180	20	498,160	19,524	19,521	19,417	388,35
New Asian Ventures Ltd. Note2	1	79,054	20	79,034	578	577	508	508,276

- (4) Relationships between the business activities conducted by affiliated enterprises: please refer to Page 149 to Page 254.
- 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:

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.179, Yanji St., Da'an District, Taipei City 106, Taiwan (R.O.C.)	(02)2781-3366
Tungmen Branch	No.101, Sec. 2, Sinyi Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2358-2345
Hoping Branch	No.68-2, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2735-2828
Chungshan Mini Branch	No.83, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2571-7890
Kungkuan Branch	No.272, Sec. 3, Roosevelt Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2369-2678
Sungchiang Branch	No.228, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2561-6601
Breeze Center Mini Branch	2F., No.39, Sec. 1, Fusing S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)8772-2858
Tunhwa Branch	No.209-1, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)8773-3588
Taan Branch	No.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

Branch Name	Address	Telephone
Donghu Branch	No.150-3, Sec. 6, Minquan E. Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)-2796-7779
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
Shihtung 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
Sanxia Branch	No.261 \ 263, Xuecheng Rd., Sanxia Dist., New Taipei City 237, Taiwan (R.O.C.)	(02)2673-0808
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

Branch Name	Address	Telephone
Shulin Branch	No.275, Jhonghua Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	(02)8685-8939
Hsichih Branch	No.159, Sec. 1, Sintai 5th Rd., Sijhih District, New Taipei City 221, Taiwan (R.O.C.)	(02)8642-5289
Tucheng Branch	No.3, Chengtian Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2268-1799
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

Branch Name	Address	Telephone
Minchuan Branch	No.135, Mincyuan Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04)2220-6789
Hsitun Branch	No.277, Sec. 2, Situn Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2702-2152
Singchung Branch	No.406, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan (R.O.C.)	(04)2261-4040
Fongyuan Branch	No.102, Fucian St., Fongyuan 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	12F.,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, 2013 and 2012 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, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2013, December 31, 2012 and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 19, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 independent 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 independent auditors' report and financial statements shall prevail.

BALANCE SHEETS (In Thousands of New Taiwan Dollar)

	December 31,	2013	December 31,	2012	January 1, 2012		
ASSETS	Amount	%	Amount	%	Amount	%	
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 7,693,960	2	\$ 9,570,257	2	\$ 8,390,592	2	
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	70,874,052	16	75,378,914	18	101,781,769	25	
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	9,863,257	2	8,094,894	2	8,167,543	2	
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	20,230,519	5	21,764,953	5	251,626	-	
RECEIVABLES, NET (Notes 4, 5, 10, 12 and 40)	13,742,618	3	14,248,095	3	15,103,685	4	
CURRENT TAX ASSETS (Notes 4 and 38)	160,660	-	100,493	-	145,259	-	
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 40)	230,142,592	53	201,833,438	49	190,679,993	48	
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 13 and 40)	8,500,192	2	10,237,156	3	7,516,896	2	
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 5 and 14)	428,017	-	811,872	-	1,313,015	-	
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 15) $$	2,567,706	1	2,543,168	1	2,465,381	1	
OTHER FINANCIAL ASSETS, NET (Notes 4, 16 and 41)	57,830,216	13	49,485,900	12	47,876,004	12	
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	7,630,976	2	7,713,002	2	7,956,701	2	
INTANGIBLE ASSETS (Note 4) Goodwill (Notes 5 and 18) Computer software	1,985,307 59,559	<u>-</u>	1,985,307 97,431	1	2,119,709 138,523	1	
Total intangible assets	2,044,866	-	2,082,738	1	2,258,232	1	
DEFERRED TAX ASSETS (Notes 4, 5 and 38)	2,826,055	1	3,305,217	1	3,630,011	1	
OTHER ASSETS, NET (Notes 4, 19, 40 and 42)	1,925,098		2,154,775	1	2,185,306		
TOTAL	<u>\$ 436,460,784</u>	100	<u>\$ 409,324,872</u>	<u>100</u>	\$ 399,722,013	100	
LIABILITIES AND EQUITY							
LIABILITIES Due to the Central Bank and other banks (Note 20) Financial liabilities at fair value through profit or loss (Notes 4 and 8) Securities sold under agreements to repurchase (Notes 4 and 21) Accounts payable (Note 22) Current tax liabilities (Notes 4 and 38) Deposits (Notes 23 and 40) Bank debentures (Note 24) Other financial liabilities (Note 25) Provisions (Notes 12 and 26) Deferred tax liabilities (Notes 4, 5 and 38) Other liabilities (Notes 28, 40 and 42) Total liabilities EQUITY Capital stock Common stock Preferred stock Total capital stock Capital surplus Retained earnings Legal reserve Special reserve Unappropriated earnings Total retained earnings Other equity	\$ 4,924,611 16,006 24,582,657 4,168,148 365,120,161 7,400,000 201,858 752,628 556,558 314,825 408,037,452 22,165,251 22,165,251 34,288 1,685,037 914,439 2,792,439 5,391,915 831,878	1	\$ 5,115,437 27,417 28,289,349 6,581,310 337,399,136 5,200,000 306,392 795,785 334,380 270,295 384,319,501 20,060,202 204,194 20,264,396 32,413 900,963 608,209 3,064,835 4,574,007 134,555	1	\$ 7,007,256 33,852 34,522,173 5,975,888 116,164 322,756,910 4,890,000 242,930 648,992 365,583 249,979 376,809,727 16,459,908 3,025,088 19,484,996 32,413 352,978 874,473 2,334,599 3,562,050 (167,173)	2 - 9 1 - 1 94 4 - 1 5 1 1 - 1	
Total equity	28,423,332	7	25,005,371	6	22,912,286	6	
TOTAL	\$ 436,460,784	100	\$ 409,324,872	100	\$ 399,722,013	100	

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

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

<u>-</u>		Year End	ed December 31		Percentage Increase
-	2013		2012		(Decrease)
	Amount	%	Amount	%	%
NET INTEREST (Notes 4, 30 and 40)	¢ 0.271.242	100	¢ 0.117.046	122	2
Interest revenues Interest expenses	\$ 9,271,343 3,350,022	109 	\$ 9,117,046 3,382,254	122 <u>45</u>	2 (1)
Net interest	5,921,321	70	5,734,792	<u>77</u>	3
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4, 31 and 40) Gain on financial assets and liabilities	1,664,374	20	1,387,977	18	20
at fair value through profit or loss (Notes 4 and 32) Realized loss from available-for-sale	678,127	8	523,656	7	29
financial assets (Notes 4 and 33) Investment loss recognized under the	(86,181)	(1)	(87,540)	(1)	(2)
equity method (Note 4)	197,750	2	150,947	2	31
Foreign exchange loss (Note 4) Reversal of asset impairments	(208,378)	(3)	(267,240)	(4)	(22)
(Notes 4, 18 and 34) Gain on disposal of collaterals	120,187	1	(174,402)	(2)	169
assumed, net Securities brokerage fee revenues, net	10,353	-	28,849	-	(64)
(Note 40) Gain on unquoted equity investments,	54,181	1	54,530	1	(1)
net (Note 16)	49,025	1	51,204	1	(4)
Property loss, net	2,255	-	(19,139)	-	112
Other noninterest net gains	76,142	<u>1</u>	57,921	1	31
Total net revenues other than interest	2,557,835	_30	1,706,763	23	50
TOTAL NET REVENUES	8,479,156	100	7,441,555	100	14
PROVISIONS (Notes 4 and 12) Reversal of allowance for doubtful	(0.7.000)	(4)	(515, 100)	(0)	(0.5)
accounts	(95,890)	<u>(1</u>)	<u>(647,490</u>)	<u>(9</u>)	(85)
OPERATING EXPENSES Personnel expenses (Notes 4 and 35) Depreciation and amortization	2,621,626	31	2,427,394	33	8
(Notes 4 and 36)	208,651	3	259,551	3	(20)
Others (Notes 37 and 40)	2,405,987	<u>28</u>	2,351,676	32	2
Total operating expenses	5,236,264	62	5,038,621	68	4 (Continued)

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the	Percentage Increase			
-	2013		2012		(Decrease)
·	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 3,338,782	39	\$ 3,050,424	41	9
INCOME TAX EXPENSE (Notes 4, 5 and 38)	470,891	5	415,706	6	13
CONSOLIDATED NET INCOME	2,867,891	_34	2,634,718	<u>35</u>	9
OTHER COMPREHENSIVE INCOME Exchange differences on translating					
foreign operations Unrealized gain on available-for-sale	251,127	3	(362,188)	(5)	169
financial assets Share of other comprehensive income	692,783	8	567,745	8	22
of subsidiaries, associates and joint ventures	13,801	-	34,855	-	(60)
Actuarial loss arising on defined benefit plans Income tax on the components of other	(12,504)	-	(86,166)	(1)	(85)
comprehensive income (expense) (Note 38)	(258,580)	<u>(3</u>)	61,572	1	(520)
Other comprehensive income for the year, net of income tax	686,627	8	215,818	3	218
TOTAL COMPREHENSIVE INCOME	\$ 3,554,518	<u>42</u>	\$ 2,850,536	<u>38</u>	25
EARNINGS PER SHARE (New Taiwan Dollars; Note 39)					
Basic Diluted	\$ 1.30 \$ 1.29		\$ 1.28 \$ 1.19		

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

(Concluded)

STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

									Other Equ	ity (Note 4)		
									Unrealized Gain (Loss) on	Exchange Differences on		
	Capital Stock (Note 29)				Retained Earning	s (Notes 4 and 29)		Available-for-	Translating			
	Common Stock	Preferred Stock	Total	Share Capital (Note 30)	Legal Reserve	Special Reserve	Unappropriate d Earnings	Total	sale Financial Assets	Foreign Operations	Total	Total Equity
BALANCE AT JANUARY 1, 2012	\$ 16,459,908	\$ 3,025,088	\$ 19,484,996	\$ 32,413	\$ 352,978	\$ 874,473	\$ 2,334,599	\$ 3,562,050	\$ (167,173)	\$ -	\$ (167,173)	\$ 22,912,286
Appropriation of the 2011 earnings												
Legal reserve			_	_	547,985		(547,985)					
Cash dividends on preferred shares					547,765		(757,451)	(757,451)				(757,451)
Stock dividends on common shares	658,396	-	658,396	_	=	_	(658,396)	(658,396)	_	-	_	(757,451)
		-		-	-	-			-	-	-	-
Stock dividends on preferred shares	121,004	-	121,004	-	-	(266.264)	(121,004)	(121,004)	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(266,264)	266,264	-	-	-	-	-
Net income for the year ended December 31, 2012	-	-	-	-	-	-	2,634,718	2,634,718	-	-	-	2,634,718
Other comprehensive income for the year ended December 31,												
2012							(85,910)	(85,910)	580,663	(278,935)	301,728	215,818
T-4-1												
Total comprehensive income for the year ended December 31, 2012	_	_					2,548,808	2,548,808	580,663	(278,935)	301,728	2,850,536
2012							2,540,000	2,540,000		(270,733)		2,030,330
Conversion of preferred stock	2,820,894	(2,820,894)										
BALANCE AT DECEMBER 31, 2012	20,060,202	204,194	20,264,396	32,413	900,963	608,209	3,064,835	4,574,007	413,490	(278,935)	134,555	25,005,371
Special reserve	-	-	-	-	-	507,984	(507,984)	-	-	-	-	-
Appropriation of the 2012 earnings												
Legal reserve	_	_	_	_	784,074	_	(784,074)	_	_	_	_	_
Cash dividends on preferred shares				_	,		(181,042)	(181,042)				(181,042)
Stock dividends on common shares	1,839,520		1,839,520			_	(1,839,520)	(1,839,520)				(101,042)
Stock dividends on preferred shares	18,725		18,725				(18,725)	(18,725)				
Reversal of special reserve	10,723	-	10,723	-	-	(201,754)	201,754	(10,723)	-	-	-	-
Reversar of special reserve	-	-	-	-	-	(201,734)	201,734	-	-	-	-	-
Net income for the for the year ended December 31, 2013	-	-	-	-	-	-	2,867,891	2,867,891	-	-	-	2,867,891
Other comprehensive income for the year ended December 31,												
2013							(10,696)	(10,696)	496,017	201,306	697,323	686,627
Total comprehensive income for the year ended December 31,												
							2.057.105	2 057 105	106.017	201 206	607.222	2.554.510
2013							2,857,195	2,857,195	496,017	201,306	697,323	3,554,518
Conversion of preferred stock	204,194	(204,194)										
•												
Share-based payment	42,610		42,610	1,875								44,485
BALANCE AT DECEMBER 31, 2013	\$ 22,165,251	\$ -	\$ 22,165,251	\$ 34,288	\$ 1,685,037	\$ 914,439	\$ 2,792,439	\$ 5,391,915	\$ 909,507	<u>\$ (77,629)</u>	\$ 831,878	\$ 28,423,332

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

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,338,782	\$ 3,050,424
Adjustments for:	+ -,,	+ -,,,,,,
Depreciation expenses	168,384	192,156
Amortization expenses	40,267	67,395
Gain on reversal of allowance for doubtful accounts	(95,890)	(647,490)
Net gain on disposal of financial assets designated as at fair value	, ,	,
through profit or loss	(678,127)	(523,656)
Interest expenses	3,350,022	3,382,254
Interest revenues	(9,271,343)	(9,117,046)
Dividend income	(77,149)	(87,397)
Changes in other provisions, net	-	(2,668)
Unrealized gain on the transactions with associates and joint		
ventures	(197,750)	(150,947)
Loss (gain) on disposal of properties	(2,255)	19,140
Loss on disposal of investments	114,305	123,733
Reversal of impairment losses on nonfinancial asset	(51,593)	-
Impairment losses on nonfinancial assets	-	174,402
Reversal of impairment loss recognized on financial assets	(68,594)	-
Gain on disposal of collaterals	(10,353)	(28,849)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans		
banks	(3,495,138)	2,502,855
Decrease (increase) in financial assets at fair value through profit or		
loss	(2,433,626)	613,448
Decrease in accounts payable	512,562	1,210,008
Increase in discounts and loans	(28, 373, 615)	(10,982,052)
Decrease (increase) in available-for-sale financial assets	2,315,443	(2,276,357)
Increase in other financial assets	(3,695,447)	(2,463,115)
Decrease in due to the Central Bank and other banks	(190,826)	(1,891,819)
Increase in financial liabilities at fair value through profit or loss	298,333	14,188
Decrease in securities sold under repurchase agreements	(3,706,692)	(6,232,824)
Increase (decrease) in accounts payable	(2,247,667)	706,561
Increase in deposits	27,721,025	14,642,226
Increase (decrease) in provisions	(104,534)	63,462
Decrease in provisions for employee benefits	(26,661)	(25,704)
Cash generated from operations	(16,868,137)	(7,667,672)
Interest received	9,330,915	9,149,080
Dividend received	267,481	170,665
Interest paid	(3,471,032)	(3,483,393)
Income tax paid	(88,298)	(131,941)
Net cash used in operating activities	(10,829,071)	(1,963,261)
Their easiffused in operating activities	(10,027,071)	(Continued)
		(Continued)

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in purchase of financial assets designated as at fair value		
through profit or loss	\$ -	\$ (38,671)
Decrease in the proceeds on sale of financial assets designated as at	,	(/
fair value through profit or loss	1,033,116	_
Acquisition of debt instruments with no active market	(29,391,008)	(30,668,329)
Return of capital on debt instruments with no active market	24,850,343	31,712,618
Purchase of held-to-maturity financial assets	(205,667)	(50,166)
Return of capital on held-to-maturity financial assets	614,805	544,917
Proceeds of the sale of financial assets carried at cost	-	183
Return of capital on financial assets carried at cost	34,663	1,999
Payments for properties	(107,920)	(59,758)
Proceeds of the disposal of properties	17,628	89,455
Decrease in settlement fund	1,228	14,022
Increase in refundable deposits	-	(164,762)
Decrease in refundable deposits	163,314	_
Payments for intangible assets	(2,395)	(26,303)
Proceeds of the disposal of collaterals	162,554	186,192
Increase in other assets	(29,284)	(13,366)
Net cash generated from (used in) investing activities	(2,858,623)	1,528,031
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issue bank debentures	3,000,000	1,500,000
Repayments of bank debentures	(800,000)	(1,190,000)
Decrease in guarantee deposits received	(1,092)	(2,349)
Increase in other liabilities	10,760	14,559
Cash dividends paid	(181,042)	(757,451)
Net cash generated from (used in) financing activities	2,028,626	(435,241)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE		
OF CASH HELD IN FOREIGN CURRENCIES	248,337	(336,537)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,410,731)	(1,207,008)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE		
YEAR	93,435,210	94,642,218
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 82,024,479	\$ 93,435,210
C.E. I. D. C. D. I. D. C. C. T. I.	<u> </u>	(Continued)

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2013 and 2012:

	December 31		
		2013	2012
Cash and cash equivalents in balance sheets	\$	7,693,960	\$ 9,570,257
Due from the Central Bank and call loans to banks that meet the			
definition of cash and cash equivalents in IAS 7"Cash Flow			
Statements"		54,100,000	62,100,000
Securities purchased under agreements to resell that meet the definition			
of cash and cash equivalents in IAS 7		20,230,519	 21,764,953
Cash and cash equivalents in statements of cash flows	\$	82,024,479	\$ 93,435,210

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

(Concluded)

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

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

1. GENERAL INFORMATION

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

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 89 domestic branches.

The operations of the Bank's Trust Department are (1) trust business planning, managing and operating; and (2) custody of nondiscretionary 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, 2013 and 2012, the Bank had 3,249 and 3,207 employees, respectively.

The Bank's financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 19, 2014.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

The Bank has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently

applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the	Effective Date
2013 IFRSs Version Not Yet Endorsed by the FSC	Announced by IASB (Note 1)
	•
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of	Note 3
IFRS 9 and Transition Disclosures"	
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount	January 1, 2014
Disclosures for Non-financial Assets"	
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.
- Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; and the remaining amendments are effective for annual periods beginning on or after July 1, 2014.
- Note 3: IASB tentatively decided that an entity should apply IFRS 9 to annual periods beginning on or after January 1, 2018.
- b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the future initial application of the above New IFRSs is not expected to have any material impact on the Bank's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

All recognized financial assets that were within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the accounting period. All other financial assets are measured at their fair values at the end of the reporting period. However, the Bank may make an irrevocable election on the initial recognition of an equity investment that is not held for trading, to measure it at fair value through other comprehensive income, with only dividend income subsequently recognized in profit or loss.

Recognition and measurement of financial liabilities

For financial liabilities, the main changes in the classification and measurement relate to the measurement of gains or losses on financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Amounts presented in other comprehensive income are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Bank presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangements, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities." The Bank considers whether it has control over other entities for consolidation. The Bank has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard that applies to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

c) Revision to IAS 28 "Investments in Associates and Joint Ventures"

Revised IAS 28 states that when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under the current IAS 28, when a portion of an investment in an associate meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and the equity method ceases to be applied.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Revision to IAS 19 "Employee Benefits"

The revised IAS 19 changes the definition of short-term employee benefits. The revised definition is "employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service". Thus, the Bank employee's unused annual leave that may be carried forward within a certain period after the end of the annual period in which the employee renders service and which is currently classified under short-term employee benefits; will be classified as other long-term employee benefits under the revised IAS 19. The defined benefit obligation of this other long-term benefit is calculated using the projected unit credit method. However, this change does not affect unused annual leave to be presented as a current liability in the consolidated balance sheet.

6) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit only when an impairment loss has been recognized or reversed during the period. Furthermore, the Bank should disclose the discount rates used in the current and previous measurements of the recoverable amount if this amount is based on fair value less disposal cost calculated using a present value technique.

7) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-Based Payment," IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions of "performance condition" and "service condition." The amendment clarifies that a performance target can be based on the operations (i.e., a non-market condition) of the Bank or another entity in the same group or the market price of the equity instruments of the Bank or another entity in the same group (i.e., a market condition); that a performance target can relate either to the performance of the Bank as a whole or to some part of it (e.g., a division); and that the period for achieving a performance condition must not go beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Bank, but also of other entities outside the Bank.

IFRS 3 was amended to clarify that a contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 "Financial Instruments" or IAS 39 "Financial Instruments: Recognition and Measurement." Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 "Operating Segments" requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics." The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the information on segments' assets is regularly provided to the chief operating decision-maker.

IFRS 13 "Fair Value Measurement" was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 "Related Party Disclosures" was amended to clarify that a management entity providing key management personnel services to the Bank is a related party of the Bank. Thus, the Bank is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of this compensation is not required.

8) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property," were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and the application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") in issue but not yet effective on the Bank's financial statements is as follows:

As of the date the financial statements were authorized for issue, the Bank was continuing to assess the possible impact that the application of the above New IFRSs will have on the Bank's financial position and operating results and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the Financial Supervisory Commission (FSC) announced the "Framework for the Adoption of IFRSs by the Companies in the ROC." In this framework, starting 2013, the Bank should prepare its consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IFRS, IAS, IFRIC, and SIC ("IFRSs") endorsed by the FSC.

The Bank's consolidated financial statements for the year ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 51 for the impact of IFRSs conversion on the consolidated financial statements.

Significant accounting policies are summarized as follows:

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing its financial statements, the Bank used the equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the financial statements.

Foreign Currencies

In preparing the financial statements of each group entity, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period. If a gain or loss on a nonmonetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Bank's foreign operations (including those of the subsidiaries, associates and joint ventures operations in other countries or currencies used that are different from that of the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Bank and noncontrolling interests as appropriate).

Investments Accounted for Using the Equity Method

a. Investments in subsidiaries

Subsidiaries are the entities controlled by the Bank.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. The Bank also recognizes its share of the change in other equity of the subsidiary.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Bank's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Bank ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Bank accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Bank directly disposed of the related assets or liabilities.

Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Bank's financial statements only to the extent of interests in the subsidiary that are not related to the Bank.

b. Investment in Associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the operating and financial policy decision of an entity; it is not control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the associate's profit or loss and other comprehensive income of the associate. The Bank also recognizes its share of changes in the equity interests in an associate.

When the Bank subscribes for additional new shares of the associate at a percentage different from its current ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records this difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the Bank's ownership interest is reduced due to the additional subscription for the new shares of an associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee directly disposes of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Bank's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Bank has incurred legal or constructive obligations, or made payments, on behalf of that associate.

Any acquisition cost in excess of the Bank's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. Any Bank's share of the net fair value of the identifiable assets and liabilities in excess of the acquisition cost is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between (a) the sum of the proceeds received and any retained interest and (b) the carrying amount of the investment in the associate at the date significant influence is lost is recognized in profit or loss. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Bank transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank' financial statements only to the extent of the interests in the associate that are not related to the Bank.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- a) It has been acquired principally for the purpose of selling it in the near term; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency; or

- b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to key management; or
- c) The contract contains one or more embedded derivatives so that, the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 44.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and that have fair value that cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of these unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturity dates on which the Bank has the positive intent and ability to hold to maturity. In addition, they are not designated as at fair value through profit or loss, are not classified as available for sale, and do not meet the definition of loans and receivables. Foreign corporate bonds and debenture bonds that are above certain credit ratings and on which the Bank has a positive intent and ability to hold to maturity are classified as held-to-maturity investments.

After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3) Available-for-sale financial assets

Available-for-sale financial assets are nonderivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

The Bank holds government bonds, corporate bonds, listed stocks, mutual funds, negotiable certificates of deposit and commercial paper in an active market that are classified as trading and available-for-sale financial assets and are stated at fair value at each balance sheet date. Fair value is determined in the manner described in Note 44.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established.

Available-for-sale equity investments with no quoted prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of these unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets and recognized in profit or loss if impairment loss is identified.

4) Loans and receivables

Loans and receivables (including trade loans, receivables, cash and cash equivalent, debt investments with no active market, and nonperforming loans) are subsequently measured at amortized cost using the effective interest method less any impairment, except when short-term receivables have immaterial effect of discounting.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been affected.

Certain categories of financial assets, such as loans, receivables, nonperforming loans and debt investments with no active market, are assessed for impairment collectively even if they are assessed as not impaired individually. Objective evidence of impairment of a portfolio of discounts and loans, receivables and nonperforming loans could include the significant financial difficulty of the debtor, economic or legal reasons relating to the debtor's financial difficulties, a counterparty's compromise on or breach of a contract, and an asset becoming more than three months overdue.

For financial assets measured at amortized cost, if an impairment loss decreases and the decrease can be related objectively to an event occurring after the recognition of the impairment, the recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment reversal does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

When an available-for-sale financial (AFS) asset is considered impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. For AFS equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other

comprehensive income. For AFS debt securities, the impairment loss is reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

For financial assets, impairment losses result in the reduction of carrying amounts and are recognized in profit and loss. But for impaired loans and receivables, their carrying amounts are reduced through the use of an allowance account. When loans and receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

c. Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On the full derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Bank entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except in the following situations, all financial liabilities are measured at amortized cost using the effective interest method, less any impairment (see "Held-to-maturity investments" above for the description of the effective interest method):

1) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

a) Its initial recognition is for the purpose of repurchasing it in the near term; or

- b) On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to key management personnel; or
- c) A contract contains one or more embedded derivatives such that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. Fair value is determined in the manner described in Note 44.

2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at fair value and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the following and in compliance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans:

- a) The amount of the obligation under the contract, as determined in accordance with FSC-recognized IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- b) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the FSC-recognized IAS 18 "Revenue."

b. Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Nonperforming Loans

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" issued by the authorities, loans and other credits (including the accrued interests) that remain unpaid on their maturity are transferred immediately to nonperforming loans if the transfer is approved by the board of directors.

Nonperforming loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Allowance for Doubtful Accounts and Reserve for Losses on Guarantees

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

Under the regulations issued by the Ministry of Finance (MOF), the Bank evaluates credit balances on the basis of their 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 these loans should be 0%, 2%, 10%, 50% and 100%, respectively, of outstanding credits.

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. In addition, in accordance with Rule No. 10010006830 subsequently issued by the Financial Supervisory Commission, 0.5% should be added to all the loan coverage ratios.

Credits deemed uncollectible may be written off if the write-off is approved by the board of directors. Recoveries of amounts previously written off are credited to the allowance account.

Repurchase and Resell Transactions

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

Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss. This cost should be recognized as an asset only if it is probable that future economic benefits associated with the property and equipment item will flow to the Bank and if the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized as a systematic allocation of the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for prospectively.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each cash-generating unit (CGU) that is expected to benefit from the synergy of a business combination.

In testing assets for impairment, the Bank compares the carrying amounts of CGUS with allocated goodwill with their recoverable amounts on a yearly basis (or when impairment indicators exist). Goodwill arising in a business combination should be tested for impairment during the year in which goodwill is acquired. When the recoverable amount of a CGU is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On CGU disposal, the amount attributable to goodwill is included in the CGU carrying amount to determine the gain or loss on disposal.

Intangible Assets

Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Bank examines its estimates of the asset useful lives, residual values and amortization method with the effect of any changes in estimate accounted for on a prospective basis. Unless the Bank expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero.

Derecognition

Gains or losses recognized on derecognition of an intangible asset are the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the asset is derecognized.

Foreclosed Collaterals

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.

Impairment of Tangible and Intangible Assets (Excluded Goodwill)

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a CGU is identified as having a carrying amount that includes assets that can be allocated on a reasonable and consistent basis to the CGU, corporate assets are also allocated to this CGU; otherwise, a portion of the carrying amounts of the corporate assets is allocated to the smallest group of cash-generating units to which a reasonable and consistent allocation of carrying amounts of the corporate assets can be made.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. Bank as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern of the lessee's benefit from the use of the leased asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

Lease incentives offered in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term.

b. Bank as lessee

Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating lease, contingent rentals are recognized as expenses at current period.

Lease incentives received under operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions of future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed annually. Interim period income tax expense is calculated by applying to an interim period's pretax income the tax rate that would be applicable to expected total annual earnings.

a. Current tax

Interim period income taxes are assessed annually. Interim period income tax expense is calculated by applying to an interim period's pretax income the tax rate that would be applicable to expected total annual earnings.

Income tax payable (or tax refund receivable) is calculated on the basis of the relevant tax laws applicable to a jurisdiction.

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 to retain the earnings.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and these differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the amounts expected to be paid to (recovered from) taxation authorities, using the rates or laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets should reflect the tax consequences of how the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

For transactions recognized in profit or loss, current and deferred taxes are also recognized in profit or loss; for transactions recognized outside profit or loss, i.e., in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Revenue from brokerage is recognized when the earnings process has been completed.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. If loss is possible but cannot be reasonably estimated, the circumstances that might give rise to the loss should be disclosed in the notes to the financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Held-to-maturity financial assets

Management has reviewed the Bank's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and has confirmed the Bank's positive intention and ability to hold these assets to maturity.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGUs) to which goodwill has been allocated. The calculation of the value in use requires management to estimate a CGU's future cash flows and a suitable discount rate in order to calculate the CGU's net present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

c. Income tax

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of deferred tax assets were \$2,385,432 thousand, \$2,822,272 thousand and \$3,071,284 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, no deferred tax assets had been recognized on tax losses of \$0 thousand, \$45,131 thousand and \$232,417 thousand, respectively, because of the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. If the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal takes place.

d. Estimated impairment of loans and receivables

When there is objective evidence of impairment loss, the Bank takes into consideration the estimation of future cash flows. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If the actual future cash flows are less than expected, a material impairment loss may arise.

e. Fair value of financial instruments

As described in Note 44, Bank management uses its judgment in selecting an appropriate valuation technique for financial instruments with no quoted market prices in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instruments. Other financial instruments are valued using a discounted cash flow analysis, which includes assumptions based on quoted market prices or rates (if available). The measurement of the fair values of unlisted equity investments includes assumptions not based on observable market prices or rates. Note 44 provides information on the key assumptions used in the determination of the fair values of financial instruments. Bank management believes that the chosen valuation techniques and assumption used are appropriate to the determination of the fair value of financial instruments.

f. Employee benefits

For defined benefit retirement plans, the cost of providing benefits is determined using the project unit credit method, with actuarial valuations being carried out at the end of each reporting period. The use of estimations of the discount rate, staff turnover and long-term average rate of salary in actuarial valuations as well as changes in market and economic conditions may result in these estimations differing from the actual costs and amounts of obligations.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand Checks for clearing Due from banks	\$ 5,078,569 1,661,151 954,240	\$ 4,492,417 4,028,087 1,049,753	\$ 3,730,621 3,635,427 1,024,544
	<u>\$ 7,693,960</u>	<u>\$ 9,570,257</u>	\$ 8,390,592

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31, 2013	December 31, 2012	January 1, 2012
Deposit reserve - checking account Required deposit reserve Deposit reserve - foreign-currency deposits Deposit account in Central Bank	\$ 7,083,159 9,645,968 44,925 54,100,000	\$ 4,448,931 8,786,279 43,704 62,100,000	\$ 7,343,378 8,408,101 30,290 86,000,000
	\$ 70,874,052	\$ 75,378,914	<u>\$ 101,781,769</u>

Under a directive issued by the Central Bank of the ROC, the Bank determines monthly the New Taiwan dollar (NTD)-denominated deposit reserves at prescribed rates based on the 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 anytime and are noninterest earning.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Commercial paper	\$ 7,566,717	\$ 5,138,492	\$ 3,575,646
Government bonds	205,635	51,190	51,983
Quoted stocks	157,846	7,984	98,257
Corporate bonds	-	-	50,735
Negotiable certificates of deposit	-		1,512,400
	<u>7,930,198</u>	5,197,666	<u>5,289,021</u>
Derivative instrument			
Forward exchange contracts	58,969	67,305	110,757
Currency swap contracts	13,896	7,646	8,033
Option contracts	5,848	908	997
	78,713	75,859	119,787
	8,008,911	5,273,525	5,408,808
Financial assets designated as at fair value through profit or loss			
Corporate bonds	1,854,346	2,821,369	2,758,735
	\$ 9,863,257	<u>\$ 8,094,894</u>	\$ 8,167,543
Financial liabilities held for trading			
Derivative instrument			
Forward exchange contracts	\$ 9,113	\$ 25,890	\$ 32,292
Currency swap contracts	5,848	908	997
Option contracts	1,045	619	563
	<u>\$ 16,006</u>	<u>\$ 27,417</u>	<u>\$ 33,852</u>

The Bank engaged in derivative transactions 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 the derivative transactions for accommodating customers' needs and managing its exposure positions as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Currency swap contracts Forward exchange contracts Option contracts	\$ 11,816,654	\$ 17,637,175	\$ 15,762,905
	3,439,655	4,844,779	9,271,383
Buy	1,789,879	560,277	503,266
Sell	1,789,879	560,277	503,266

As of December 31, 2013, December 31, 2012 and January 1, 2012, financial instruments at fair value through profit and loss in the amount of \$6,206,915 thousand, \$4,562,768 thousand and \$3,677,469 thousand were under agreement to repurchase agreements.

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper Government bonds Corporate bonds	\$ 10,811,209 3,200,000 6,219,310	\$ 7,946,309 7,475,600 6,343,044	\$ - 251,626 -
	\$ 20,230,519	<u>\$ 21,764,953</u>	<u>\$ 251,626</u>
Date of the resell agreement	2014.01-02	2013.01	2012.01
Amount of the resell	\$ <u>20,239,311</u>	\$ <u>21,774,630</u>	\$ <u>251,713</u>

The securities purchased under resell agreements amounting to \$251,626 thousand as of January 1, 2012, had been sold under repurchase agreements.

10. RECEIVABLES, NET

December 31, 2013	December 31, 2012	January 1, 2012
\$ 12,129,194	\$ 12,113,187	\$ 13,480,088
557,048	581,758	605,686
362,694	599,283	1,561,672
300,707	500,700	300,685
269,857	216,500	148,915
122,805	142,674	106,760
94,689	69,127	64,244
39,380	7,718	13,310 (Continued)
	2013 \$ 12,129,194 557,048 362,694 300,707 269,857 122,805 94,689	2013 2012 \$ 12,129,194 \$ 12,113,187 557,048 581,758 362,694 599,283 300,707 500,700 269,857 216,500 122,805 142,674 94,689 69,127

	December 3	31, December 31, 2012	January 1, 2012
Receivable on disposal of property and			
equipment	\$	- \$ -	\$ 138,783
Others	142,4	88 189,242	15,120
	14,018,8	14,420,189	16,435,263
Less: Allowance for doubtful accounts	276,2	172,094	1,331,578
	\$ 13,742,6	<u>\$ 14,248,095</u>	\$ 15,103,685 (Concluded)

Please refer to Note 45 for the impairment loss analysis of receivables.

The Bank has accrued an allowance for doubtful accounts on receivables. Please refer to Note 12 for the movements of allowance for doubtful accounts.

11. DISCOUNTS AND LOANS, NET

		Dec	ember 31, 2013		ember 31, 2012	Jan	uary 1, 2012
Discounts and o	verdraft	\$	73,884	\$	73,213	\$	87,178
Accounts receiv	able - financing		89,460		58,594		99,528
Loans	· ·	3	0,851,252	1	6,717,632		15,163,198
Short-term	- unsecured	4	1,860,116	3	8,572,309		35,873,027
	- secured	1	0,682,146	1	1,337,976		8,511,019
Medium-tern	n - unsecured	3	5,332,126	2	9,309,204		27,165,831
	- secured		5,025,448		5,620,513		5,964,654
Long-term	- unsecured	10	8,049,889	10	1,959,901		99,023,101
_	- secured		106,955		38,132		117,814
Import and expo	ort negotiations		595,752		371,879		601,434
Overdue loans		23	2,667,028	20	4,059,353		192,606,784
Less: Allowar	nce for doubtful accounts		2,524,436		<u>2,225,915</u>		1,926,791
		<u>\$ 23</u>	0,142,592	<u>\$ 20</u>	1,833,438	<u>\$</u> .	190,679,993

As of December 31, 2013, December 31, 2012 and January 1, 2012, the balances of nonaccrual loans were \$595,752 thousand, \$371,879 thousand and \$601,434 thousand, respectively. The unrecognized interest revenues on nonperforming loans were \$17,453 thousand in 2013 and \$5,661 thousand in 2012.

In 2013 and 2012, the Bank wrote off certain credits after completing the required legal procedures.

Please refer to Note 45 for impairment loss analysis of discounts and loans. The Bank had set up an allowance for doubtful accounts on discounts and loans. Please refer to Note 12 for the movements in the allowance for doubtful accounts.

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The movements in the allowance for doubtful accounts and reserve for losses on guarantees liabilities for the years ended December 31, 2013 and 2012 are summarized as follows:

		Year Ended Dec	ember 31, 2013	
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2013 Allowance (reversal of allowance)	\$ 172,094	\$ 2,225,915	\$ 114,000	\$ 2,512,009
for doubtful accounts	(130,351)	24,461	10,000	(95,890)
Write-offs	(196,152)	(313,480)	-	(509,632)
Recovery of written-off credits	431,653	546,951	-	978,604
Reclassification	(1,000)	40,000	(39,000)	-
Effects of exchange rate changes	-	589	_	589
Balance at December 31, 2013	<u>\$ 276,244</u>	<u>\$ 2,524,436</u>	<u>\$ 85,000</u>	\$ 2,885,680
		Year Ended Dec	ember 31, 2012	
		Year Ended Dec	ember 31, 2012 Reserve for	
		Year Ended Dec Discounts and	· ·	
	Receivables		Reserve for	Total
Balance at January 1, 2012 Allowance (reversal of allowance)	Receivables \$ 1,331,578	Discounts and	Reserve for Losses on	Total \$ 3,283,369
• •		Discounts and Loans	Reserve for Losses on Guarantees	
Allowance (reversal of allowance)	\$ 1,331,578	Discounts and Loans \$ 1,926,791	Reserve for Losses on Guarantees \$ 25,000	\$ 3,283,369
Allowance (reversal of allowance) for doubtful accounts	\$ 1,331,578 (565,097)	Discounts and Loans \$ 1,926,791 (171,393)	Reserve for Losses on Guarantees \$ 25,000	\$ 3,283,369 (647,490)
Allowance (reversal of allowance) for doubtful accounts Write-offs	\$ 1,331,578 (565,097) (1,063,858)	Discounts and Loans \$ 1,926,791 (171,393) (110,823)	Reserve for Losses on Guarantees \$ 25,000	\$ 3,283,369 (647,490) (1,174,681)
Allowance (reversal of allowance) for doubtful accounts Write-offs Recovery of written-off credits	\$ 1,331,578 (565,097) (1,063,858) 478,489	Discounts and Loans \$ 1,926,791 (171,393) (110,823) 562,035	Reserve for Losses on Guarantees \$ 25,000	\$ 3,283,369 (647,490) (1,174,681) 1,040,524

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Corporate bonds	\$ 3,736,164	\$ 4,331,243	\$ 2,393,246
Government bonds	1,126,450	2,151,382	2,707,520
Overseas quoted stocks	1,572,591	1,032,966	742,383
Mutual funds	1,413,583	1,336,890	904,568
Domestic quoted stocks	435,306	587,176	769,179
Negotiable certificates of deposit	216,098	-	-
Commercial paper		797,499	-
	<u>\$ 8,500,192</u>	<u>\$ 10,237,156</u>	<u>\$ 7,516,896</u>

The available-for-sale financial assets amounting to \$2,824,240 thousand, \$3,665,224 thousand and \$4,254,626 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	Dec	December 31, 2013		December 31, 2012		January 1, 2012	
Government bonds Negotiable certificates of deposit Asset-based securities Corporate bonds	\$	289,779 98,682 39,556	\$	556,316 - 55,576 199,980	\$	664,350 - 248,794 399,871	
	<u>\$</u>	428,017	\$	811,872	\$	1,313,015	

The held-to-maturity investments amounting to \$214,574 thousand as of January 1, 2012 had been sold under repurchase agreements.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries Investments in associates	\$ 2,513,412 54,294	\$ 2,488,678 54,490	\$ 2,398,660 66,721
	\$ 2,567,706	\$ 2,543,168	\$ 2,465,381
a. Investments in subsidiaries			
	December 31, 2013	December 31, 2012	January 1, 2012
Union Finance and Leasing International Corporation (UFLIC) Union Securities Investment Trust	\$ 2,255,382	\$ 2,243,797	\$ 2,165,802
Corporation (USITC) Union Finance International (H.K.) Limited	138,406 79,679	127,561 77,952	121,304 80,941
Union Insurance Broker Company (UIB) Union Information Technology Corporation	27,037	33,583	24,548
(UIT)	12,908	5,785	6,065
	\$ 2,513,412	\$ 2,488,678	\$ 2,398,660

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Bank were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Union Finance and Leasing International			
Corporation (UFLIC)	100.00%	100.00%	100.00%
Union Securities Investment Trust			
Corporation (USITC)	35.00%	35.00%	35.00%
Union Finance International (H.K.) Limited	99.99%	99.99%	99.99%
Union Insurance Broker Company (UIB)	100.00%	100.00%	100.00%
Union Information Technology Corporation			
(UIT)	99.99%	99.99%	99.99%

The Bank's share of profit and other comprehensive income of subsidiaries for the years ended December 31, 2013 and 2012 was based on the subsidiaries' audited financial statements for the same reporting periods as those of the Bank.

b. Investment in as associate

	December 31	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	
Union Real-Estate Management							
Corporation	<u>\$ 54,294</u>	40	<u>\$ 54,490</u>	40	\$ 66,721	40	

The summarized financial information in respect of the Bank's associates was set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets Total liabilities	<u>\$ 237,875</u> <u>\$ 102,140</u>	\$ 246,619 \$ 110,394	\$ 537,502 \$ 370,699
		Year Ended	December 31
		2013	2012
Revenue Profit (loss) for the year		<u>\$ -</u> <u>\$ (491)</u>	\$ 17,214 \$ (2,056)

The Bank's share of the associate's profit and other comprehensive income for 2013 and 2012 was based on the associate's audited financial statements for the same reporting periods as those of the Bank.

16. OTHER FINANCIAL ASSETS, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Debt instruments with no active markets,			
asset-based securities	\$ 48,516,710	\$ 43,871,572	\$ 44,723,018
Pledged assets (Note 41)	8,769,791	5,109,689	2,632,874
Financial assets carried at cost, net	413,715	448,378	450,451
Prepayments for shares	130,000	-	-
Others		56,261	69,661
	\$ 57,830,216	\$ 49,485,900	\$ 47,876,004

a. Debt instruments with no active markets

As of December 31, 2013, December 31, 2012 and January 1, 2012, debt instruments with no active markets and amounting to \$24,189,473 thousand, \$28,334,744 thousand and \$37,547,378 thousand, respectively, were under repurchase agreements.

b. Financial assets carried at cost, net

	December 31, 2013	December 31, 2012	January 1, 2012
Unquoted stocks			
Financial Information Service Company	\$ 118,782	\$ 118,782	\$ 118,782
Taiwan Asset Management Corporation	75,000	100,000	100,000
Taiwan Future Exchange Corporation	71,250	71,250	71,250
Taiwan Financial Asset Service			
Corporation	50,000	50,000	50,000
Other	98,683	108,346	110,419
	\$ 413,715	<u>\$ 448,378</u>	<u>\$ 450,451</u>

Financial assets carried at cost were unlisted common stocks with no quoted market prices in an active market and with fair values that could not be reliably measured. Thus, these assets were measured at cost less accumulated impairment.

In 2012, the Bank disposed of certain financial assets measured at cost with carrying amounts of \$75 thousand and recognized a disposal gain of \$108 thousand.

17. PROPERTY AND EQUIPMENT, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Land	\$ 3,421,707	\$ 3,436,297	\$ 3,530,860
Buildings	3,989,591	4,087,075	4,200,139
Machinery and computer equipment	110,327	101,280	120,856
Transportation equipment	27,324	28,681	33,317
Lease improvements	72,080	59,669	58,718
Prepayments for equipment	9,947		12,811
	<u>\$ 7,630,976</u>	<u>\$ 7,713,002</u>	<u>\$ 7,956,701</u>

	For the Year Ended December 31, 2013						
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2013 Additions Disposals Reclassification Balance at December 31, 2013	\$ 3,436,297 (14,590) ————————————————————————————————————	\$ 5,041,069 11,332 - - - 5,052,401	\$ 1,337,753 38,835 (46,134) 	\$ 264,359 5,676 (6,945) 	\$ 371,165 35,941 - - - 407,106	\$ - 16,136 - (6,189) - 9,947	\$ 10,450,643 107,920 (67,669) (6,189) 10,484,705
Accumulated depreciation							
Balance at January 1, 2013 Depreciation Disposals Balance at December 31, 2013	- - -	953,995 108,815 ————————————————————————————————————	1,236,472 29,060 (45,405) 1,220,127	235,678 6,979 (6,891) 235,766	311,496 23,530 	- - - -	2,737,641 168,384 (52,296) 2,853,729
Balance at December 31, 2012, net	<u>\$ 3,421,707</u>	<u>\$ 3,989,591</u>	<u>\$ 110,327</u>	<u>\$ 27,324</u>	\$ 72,080	<u>\$ 9,947</u>	<u>\$ 7,630,976</u>

	For the Year Ended December 31, 2012						
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2012 Additions Disposals Reclassification Balance at December 31, 2012	\$ 3,530,860 237 (94,800) 	\$ 5,048,139 8,030 (15,100) 	\$ 1,368,260 17,979 (58,592) 10,106	\$ 262,815 8,834 (7,290) 	\$ 346,487 24,678 - - - 371,165	\$ 12,811 - - (12,811)	\$ 10,569,372 59,758 (175,782) (2,705) 10,450,643
Accumulated depreciation							
Balance at January 1, 2012 Depreciation Disposals Balance at December 31, 2012		848,000 108,184 (2,190) 953,994	1,247,404 46,850 (57,781)	229,498 13,395 (7,215) 235,678	287,769 23,727 		2,612,671 192,156 (67,186) 2,737,641
Balance at January 1, 2012, net	\$ 3,530,860	<u>\$ 4,200,139</u>	<u>\$ 120,856</u>	\$ 33,317	\$ 58,718	<u>\$ 12,811</u>	\$ 7,956,701
Balance at December 31, 2012, net	\$ 3,436,297	<u>\$ 4,087,075</u>	<u>\$ 101,280</u>	<u>\$ 28,681</u>	<u>\$ 59,669</u>	<u>\$</u>	\$ 7,713,002

The above items of property and equipment were depreciated on a straight-line basis over the useful lives of the assets, estimated as follows:

Buildings

Main buildings	50-55 years
Equipment installed in buildings	5 years
Machinery and computer equipment	3-5 years
Transportation equipment	3-5 years
Lease improvements	5 years

18. 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, with the Bank as the survivor entity, 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 cash flow forecast 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. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balances of accumulated impairment were \$902,691 thousand, \$902,691 thousand and \$768,289 thousand, respectively.

19. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits Prepaid expenses Foreclosed collaterals, net Others	\$ 1,741,409 152,047 - 31,642	\$ 1,905,951 147,789 100,608 427	\$ 1,755,211 132,119 297,951
	<u>\$ 1,925,098</u>	<u>\$ 2,154,775</u>	<u>\$ 2,185,306</u>

20. CALL LOANS AND DUE TO OTHER BANKS

	December 31, 2013	December 31, 2012	January 1, 2012
Due to Chunghwa Post Co., Ltd.	\$ 4,817,779	\$ 4,817,779	\$ 6,972,990
Call loans from banks	-	262,224	-
Overdraft	46,828	11,162	23,492
Due to the Central Bank and other banks	60,004	24,272	10,774
	<u>\$ 4,924,611</u>	\$ 5,115,437	\$ 7,007,256

21. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31, 2013	December 31, 2012	January 1, 2012
Asset-based securities	\$ 15,274,500	\$ 19,780,255	\$ 26,015,899
Commercial paper	6,006,325	4,514,569	3,576,764
Government bonds	1,456,239	2,072,653	2,921,910
Corporate bonds	18,845,593	1,921,872	2,007,600
	\$ 24,582,657	\$ 28,289,349	<u>\$ 34,522,173</u>
Date of repurchase agreement	2014.01-2014.06	2013.01-2013.04	2012.01-2012.05
Amount of repurchase agreement	\$ 24,604,370	\$ 28,314,499	<u>\$ 34,556,759</u>

22. PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes and checks in clearing	\$ 1,661,151	\$ 4,028,087	\$ 3,635,427
Accrued expenses	668,552	488,161	560,277
Interest payable	591,654	712,664	813,803
Investments payable	247,231	167,547	120,574
Collections payable	164,067	176,140	154,184
Bank acceptances payable	129,230	142,876	108,719 (Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Provision for payment to the Bank's check Settlement price Accounts payable on wire transfers received Tax taxable Dishonored accounts payable Accounts payable Fund payable Domestic fund payable Others	\$ 63,606 61,192 53,448 47,734 43,852 21,557 17,660 3,506 393,708	\$ 100,685 56,017 117,878 43,726 43,770 49,941 942 85,774 367,102	\$ 67,929 40,674 67,440 47,180 44,578 - 8,584 1,120 305,399
DEPOSITS AND REMITTANCES	<u>\$ 4,168,148</u>	<u>\$ 6,581,310</u>	\$ 5,975,888 (Concluded)

23.

	December 31, 2013	December 31, 2012	January 1, 2012
Checking deposits	\$ 4,347,055	\$ 4,591,171	\$ 4,356,838
Demand deposits	52,487,844	46,814,381	43,028,473
Savings deposits	244,228,982	224,501,376	213,217,552
Time deposits	63,681,298	60,572,834	61,012,350
Negotiable certificates of deposit	314,300	787,900	1,033,900
Inward and outward remittances	60,682	131,474	107,797
	<u>\$ 365,120,161</u>	\$ 337,399,136	\$ 322,756,910

24. BANK DEBENTURES

	December 31, 2013	December 31, 2012	January 1, 2012
First issue of subordinated bank debentures in			
2006 - class A; fixed 2.6%; maturity: May	Φ	¢.	Ф. 1.100.000
2012	\$ -	\$ -	\$ 1,190,000
First issue of subordinated bank debentures in			
2006 - class B; one year time savings deposit			
rate of Bank of Taiwan plus 0.3%; maturity:			
November 2013	-	800,000	800,000
First issue of subordinated bank debentures in			
2009; fixed 2.95%; maturity: June 2016	900,000	900,000	900,000
First issue of subordinated bank debentures in	•	,	•
2011; fixed 2.78%; maturity: June 2018	2,000,000	2,000,000	2,000,000
First issue of subordinated bank debentures in	, ,	, ,	, ,
2012; fixed 2.32%; maturity: May 2019	1,500,000	1,500,000	_
First issue of subordinated bank debentures in	1,500,000	1,500,000	
2013; fixed 2.10%; maturity: December 2020	3,000,000		
2013, fixed 2.1070, maturity. December 2020	3,000,000	_	
	\$ 7,400,000	\$ 5,200,000	<u>\$ 4,890,000</u>

25. OTHER FINANCIAL LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Principals of structured products Funds obtained from the government - intended	\$ 166,839	\$ 242,436	\$ 151,244
for specific types of loans	35,019	63,956	91,686
	<u>\$ 201,858</u>	\$ 306,392	<u>\$ 242,930</u>

26. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Provisions for employee benefits (Note 27) Reserve for losses on guarantees Unexpected losses	\$ 667,628 85,000	\$ 681,785 114,000	\$ 621,324 25,000 2,668
	<u>\$ 752,628</u>	<u>\$ 795,785</u>	\$ 648,992

27. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in profit or loss for 2013 and 2012 of \$93,482 thousand and \$92,489 thousand, respectively, were contributions payable to these plans by the Bank at rates specified in the pension plan rules.

b. Defined benefit plans

The Bank adopted the defined benefit plan under the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement.

The Bank contributes amounts equal to a certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan or in the Bank's Taipei branch in the committee's name.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is under discretionary management by the Bureau of Labor Funds under the Ministry of Labor. In addition, based on the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the return generated by the employees' pension contributions should not be below the interest rate for a two-year time deposit with local banks.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 31, 2013 by actuaries. For 2013 and 2012, the Bank recognized employee benefit expenses of \$27,373 thousand and \$28,020 thousand, respectively, calculated using the actuarially determined pension cost rate as of December 31, 2013 and 2012, respectively.

The principal assumptions used in the purposes of the actuarial valuations were as follows:

	Valuation at		
	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	1.75%	1.50%	1.75%
Expected rate return on plan assets	1.50%	1.75%	2.00%
Future salary increase rate	3.00%	3.00%	3.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, taking into consideration how the plan assets are invested and the impact of the related minimum return.

Amounts recognized in profit or loss on respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2013	2012
Current service cost	\$ 19,744	\$ 19,654
Interest cost	19,418	20,625
Expected return on plan assets	(11,278)	(11,748)
Past service cost	(511)	(511)
	<u>\$ 27,373</u>	<u>\$ 28,020</u>

Actuarial gains and losses recognized in other comprehensive income were \$12,504 thousand for 2013 and \$85,859 thousand for 2012. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 were \$98,363 thousand and \$85,859 thousand, respectively.

The balance sheets included the following amounts of the Bank's obligations on its defined benefit plans:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the funded defined benefit obligation Fair value of plan assets Deficit Past service cost not yet recognized	\$ 1,325,371 (662,494) 662,877 3,322	\$ 1,300,424 (623,900) 676,524 3,833	\$ 1,182,994 (567,150) 615,844 4,344
Net liability on the defined benefit obligation (Included in provisions for employee benefits)	<u>\$ 666,199</u>	<u>\$ 680,357</u>	<u>\$ 620,188</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	\$ 1,300,424	\$ 1,182,994
Current service cost	19,744	19,654
Interest cost	19,418	20,625
Actuarial losses	9,968	83,065
Benefits paid	(24,183)	(5,914)
Closing defined benefit obligation	<u>\$ 1,325,371</u>	<u>\$ 1,300,424</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	\$ 623,900	\$ 567,150
Expected return on plan assets	11,278	11,748
Actuarial gains	(2,536)	(2,794)
Contributions from the employer	54,035	53,710
Benefits paid	(24,183)	(5,914)
Closing fair value of plan assets	<u>\$ 662,494</u>	<u>\$ 623,900</u>

The major categories of plan assets at the end of the reporting period for each category were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents	81.50%	79.61%	77.71%
Equity instruments	13.15%	11.44%	11.68%
Debt instruments	5.22%	8.77%	10.58%
Others	0.13%	0.18%	0.03%
	100.00%	100.00%	100.00%

The Bank chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation Fair value of plan assets Deficit Experience adjustments on plan liabilities Experience adjustments on plan assets	\$ 1,325,371 \$ 662,494 \$ 662,877 \$ (9,968) \$ (2,536)	\$ 1,300,424 \$ 623,900 \$ 676,524 \$ (83,065) \$ (2,794)	\$ 1,182,994 \$ 567,150 \$ 615,844 \$ -

The Bank expects to make a contribution of \$31,079 thousand to the defined benefit plan during the annual period beginning after December 31, 2013.

28. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Advance receipts Guarantee deposits received Others	\$ 185,498 91,481 <u>37,846</u>	\$ 171,760 92,573 5,962	\$ 149,095 94,922
	<u>\$ 314,825</u>	<u>\$ 270,295</u>	<u>\$ 249,979</u>

29. EQUITY

a. Capital stock

Common stock

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands) Amount of shares authorized Number of shares issued and fully paid (in	3,000,000	3,000,000	3,000,000
	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
thousands) Amount of shares issued	2,216,525	2,006,020	1,645,991
	\$ 22,165,251	\$ 20,060,202	\$ 16,459,908

Fully paid common shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

Preferred shares

In their 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 the outstanding preferred shares after six years from the issuance date at the price of the issuance amount plus unpaid accumulated dividends.

On December 19, 2012 and August 23, 2013, the board of directors of the Bank approved the conversion of 282,089 thousand shares and 20,419 thousand shares, respectively, of preferred private-placement shares into private-placement common stock. The conversion amounts were \$2,820,894 thousand and \$204,194 thousand, with the record dates for conversion on December 31, 2012 and September 25, 2013, respectively. After the conversion, there was no longer preferred stock, and the amount of common shares increased by \$3,025,088 thousand.

b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Arising from issuance of common shares Treasury stock transactions	\$ 1,875 32,413	\$ - <u>32,413</u>	\$ - 32,413
	<u>\$ 34,288</u>	<u>\$ 32,413</u>	<u>\$ 32,413</u>

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 mar be capitalized within a certain percentage of the Bank's paid-in capital once a year.

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

c. Legal reserve

Legal reserve should be appropriated until it equals the Bank's paid-in-capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based on the Banking Act, if the legal reserve is less than the Bank's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Bank's paid-in-capital.

d. Special reserve

Under Rule No. 100116 and Rule No. 0950000507 issued by the Financial Supervisory Commission (FSC), an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate as special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Bank's use of exemptions under IFRS 1 "First-time Adoption of International Financial Reporting Standards." However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. This special reserve may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings should be made until any shortage of this special reserve is appropriated in subsequent years if the Bank has earnings and the original need to appropriate a special reserve is not eliminated. (Item (f) below has information on the special reserve appropriated following the first-time adoption of IFRSs.)

Under the FSC'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 to offset a deficit; if the reserve has reached at least 50% of the paid-in capital, half of this special reserve may be capitalized.

e. Retained earnings and dividend policy

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.

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, and given effect to in the financial statements of, the year following the year of earnings generation.

The board of directors 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 2013 and 2012, the estimates of the bonus to employees were \$66,865 thousand and \$44,485 thousand, respectively, and the remunerations to directors and supervisors were \$3,343 thousand and \$2,224 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were 10% and 0.5%, respectively, of net income (net of the bonus and remuneration) minus legal reserve, special reserve, and dividends. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the year of the board's

proposal. If the actual amounts subsequently approved 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.

The appropriations from the earnings of 2012 and 2011 were approved in stockholders' meetings on June 14, 2013 and June 22, 2012, respectively. The appropriations and dividends per share were as follows:

	2013	2	2011	L
	Appropriation of Earnings	Dividend Per Share (NT\$)	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 784,074		\$ 547,985	
Special reserve	(201,754)		(266, 264)	
Stock dividends on common shares	1,839,520	\$0.917	658,396	\$0.400
Cash dividends on preferred shares	181,042	0.600	757,451	0.600
Stock dividends on preferred shares	18,725	0.917	121,004	0.400

The bonus to employees and remuneration to directors and supervisors that were approved in the stockholders' meeting on June 14, 2013 were as follows:

	2012	
	Cash Dividen	ds Stock Dividends
Bonus to employees	\$ -	\$ 44,485
Bonus to directors and supervisors	2,224	-

The stock bonus to employees was \$4,261 thousand, 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 in 2013.

The appropriations of earnings, bonus to employees and remuneration of directors and supervisors for 2012 were proposed in accordance with the Bank's financial statements for the year ended December 31, 2012, which were prepared in accordance with the unamended Criteria Governing the Preparation of Financial Reports by Public Bank, Regulations Governing the Preparation of Financial Reports by Securities Firms and GAAP, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the IFRSs.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the stockholders' meetings in 2013 and the amounts recognized in the financial statements for the year ended December 31, 2012.

The bonus to employees and remuneration to directors and supervisors for 2011 was decided not to dispense in the stockholders' meetings on June 22, 2012.

The appropriations from the 2013 earnings were proposed by the board of directors on March 19, 2014. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 837,732	
Special reserve	(355,598)	
Stock dividends on common shares	2,283,021	\$1.03
Cash dividends on preferred shares	8,962	0.44

On March 19, 2014, the board of directors approved a proposal to appropriate from the 2013 earnings a bonus to employees of \$59,752 thousand and remuneration to directors and supervisors of \$2,988 thousand. There was no difference between these proposed amounts and the amounts recognized in the financial statements for the year ended December 31, 2013.

The proposed appropriations from the 2013 earnings, including the bonus to employees and remuneration to directors and supervisors, will be presented to the stockholders in their meeting on June 6, 2014.

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

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.

f. Special reserve appropriated following first-time adoption of IFRSs

Under Rule No. 1010012865 issued by the FSC, the Bank's the special reserve appropriated following the first-time adoption of IFRSs was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Special reserve	<u>\$ 507,984</u>	<u>\$</u>	<u>\$</u>

As of the IFRS transition date, the special reserve that should consist of an amount the same as the sum of the unrealized revaluation increment and cumulative translation gains transferred to retained earnings as a result of the Bank's use of exemptions under IFRS 1 was greater than \$507,984 thousand, the increase in retained earnings that resulted from all IFRSs adjustments, making this increase insufficient for special reserve appropriation; thus, as allowed under the above FSC rule, the Bank appropriated \$507,984 thousand as special reserve.

If the special reserve appropriated on the first-time adoption of IFRSs relates to investment property other than land, the special reserve may be reversed continually over the period of property use. The special reserve for land may be reversed on disposal or reclassification.

g. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2013	2012
Balance at January 1	\$ (278,935)	\$ -
Exchange differences arising on translating the foreign operations	251,127	(362,188)
Income tax on related from translating the net assets of foreign operations	(49,821)	61,572
Share of exchange difference of subsidiaries accounted for using the equity method	-	21,681
Balance at December 31	<u>\$ (77,629)</u>	<u>\$ (278,935)</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 3	
	2013	2012
Balance, beginning of the year Unrealized gain from the revaluation of available-for-sale	\$ 413,490	\$ (167,173)
financial assets	578,479	466,440
Income tax on unrealized gain from the revaluation of available-for-sale financial assets Cumulative gain reclassified to profit or loss on sale of	(210,886)	-
available-for-sale financial assets	114,304	101,305
Share of exchange difference of subsidiaries accounted for using the equity method	14,120	12,918
Balance, end of the year	\$ 909,507	<u>\$ 413,490</u>

30. NET INTEREST

	For the Year Ended December 31	
	2013	2012
<u>Interest revenue</u>		
Discounts and loans	\$ 5,593,583	\$ 5,158,049
Debt instruments with no active market	1,786,560	1,924,932
Credit card	930,156	995,035
Due from the Central Bank and call loans to other banks	622,371	768,833
Available-for-sale financial assets	135,317	90,076
Securities purchased under resell agreements	96,244	51,770
Financial assets at fair value through profit or loss	79,197	95,026
Held-to-maturity financial assets	15,112	21,209
Others	12,803	12,116
	9,271,343	9,117,046
		(Continued)

	For the Year Ended December 31	
	2013	2012
<u>Interest expense</u>		
Deposits Securities sold under repurchase agreements Bank debentures Due to Chunghwa Post Co., Ltd. Others	\$ 2,983,668 155,594 130,406 66,817 	\$ 2,925,021 238,277 135,219 79,857 3,880 3,382,254
	<u>\$ 5,921,321</u>	\$ 5,734,792 (Concluded)

31. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31		
	2013	2012	
Commission and fee revenues			
Insurance commission	\$ 873,171	\$ 754,702	
Credit cards and cash cards	277,182	206,933	
Trust business	285,871	299,871	
Loan business	154,683	131,311	
Interbank service fee	110,200	94,510	
Guarantee business	77,777	69,329	
Underwriting business	70,144	23,767	
Remittances	35,437	33,851	
Custody	31,244	27,430	
Postage/cable charge	19,322	18,581	
Agency	12,178	13,781	
Import and export business	8,406	8,667	
Others	119,985	94,150	
	2,075,600	1,776,883	
Commission and fee expense			
Credit card	292,857	279,707	
Verification of credit	23,588	20,330	
Interbank service fee	16,611	17,546	
Acquiring liquidation deal	11,751	10,045	
Agency fee	9,789	9,025	
Others	56,630	52,253	
	411,226	<u>388,906</u>	
	\$ 1,664,374	\$ 1,387,977	

32. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31		
	2013	2012	
Realized gain or loss on financial assets at fair value through profit or loss			
Forward exchange contracts	\$ 376,521	\$ 259,417	
Currency swap contracts	196,721	185,997	
Convertible corporate bonds	33,014	87,000	
Commercial paper	16,996	(406)	
Option contracts	3,635	2,862	
Beneficial securities and stocks	11,202	(32,897)	
Government bonds	(4,549)	95	
Corporate bonds	-	60	
Dividend revenue	530	905	
	634,070	503,033	
Unrealized gain or loss on financial assets at fair value through profit or loss			
Derivative financial assets and liabilities	14,076	(194,060)	
Government bonds and corporate bonds	28,708	181,570	
Beneficial securities and stocks	3,027	33,245	
Commercial paper	(1,754)	(132)	
	44,057	20,623	
	<u>\$ 678,127</u>	<u>\$ 523,656</u>	

33. REALIZED INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31		
	2013	2012	
Net loss on disposal - stocks	\$ (130,210)	\$ (85,149)	
Dividend revenue	28,123	36,302	
Net income (loss) on disposal - beneficial securities	12,344	(39,275)	
Net income on disposal - corporate bonds	3,086	-	
Net income on disposal - government bonds	426	846	
Net income (loss) on disposal - commercial paper	50	(264)	
	<u>\$ (86,181)</u>	<u>\$ (87,540)</u>	

34. REVERSAL OF IMPAIRMENT INCOME (LOSS) ON ASSETS

	For the Year Ended December 31		
	2013	2012	
Other financial assets Foreclosed collaterals Goodwill	\$ 68,594 51,593	\$ - (40,000) (134,402)	
	<u>\$ 120,187</u>	<u>\$ (174,402</u>)	

35. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31		
	2013	2012	
Salaries and wages	\$ 1,738,990	\$ 1,662,929	
Bonus	522,095	414,765	
Pension (Note 27)	120,855	120,509	
Labor insurance and national health insurance	197,668	185,477	
Others	42,018	43,714	
	<u>\$ 2,621,626</u>	\$ 2,427,394	

36. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31		
	2013	2012	
Property and equipment Intangible assets	\$ 168,384 40,267	\$ 192,156 <u>67,395</u>	
	<u>\$ 208,651</u>	<u>\$ 259,551</u>	

37. OTHER OPERATING EXPENSES

	For the Year Ended December 31			ecember 31
		2013		2012
Rental	\$	586,807	\$	573,359
Outsourcing service		267,036		236,318
Taxation and government fee		243,917		228,534
Advertisement		284,132		285,106
Postage/cable charge		215,614		215,269
Computer operating		155,868		158,180
Deposit insurance		107,944		110,760
Maintenance charge		110,782		104,084
Marketing		56,826		59,277
Donation		26,328		24,890
Printing and binding		39,385		40,275
Others		311,348		315,624
	<u>\$</u>	2,405,987	\$	<u>2,351,676</u>

38. INCOME TAX

a. Income tax recognized in profit or loss

The main components of income tax expense were as follows:

	For the Year Ended December 31		
	2013	2012	
Current tax			
Current year	\$ 28,131	\$ 58,822	
Prior year's adjustments		1,721	
•	28,131	60,543	
Deferred tax			
Current year	442,760	355,163	
Income tax expense recognized in profit or loss	<u>\$ 470,891</u>	\$ 415,706	

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2013 and 2012 is as follows:

	For the Year Ended December 31		
	2013	2012	
Income before tax	<u>\$ 3,338,782</u>	\$ 3,050,424	
Income tax expense at the 17% statutory rate Nondeductible expenses in determining taxable income Additional income tax under the Alternative Minimum Tax Act Unrecognized deductible temporary differences Tax-exempt income Adjustments for prior year's tax	\$ 567,593 (45,776) 28,131 (36,715) (42,342)	\$ 518,572 (33,988) 58,822 (40,296) (89,125) 1,721	
Income tax expense recognized in profit or loss	<u>\$ 470,891</u>	<u>\$ 415,706</u>	

The applicable tax rate used by the Bank was 17%.

As the manner of the 2014 appropriation of the 2013 earnings is uncertain, the income tax consequences on the 2013 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31		
	2013	2012	
<u>Deferred tax</u>			
Recognized in other comprehensive income: Unrealized gains on available-for-sale financial assets Exchange differences on the translation of financial statements of foreign operations Actuarial gains and losses on defined benefit plans	\$ 210,886 49,821 (2,127)	\$ - (61,572)	
Total income tax expenses (benefits) recognized in other comprehensive income	<u>\$ 258,580</u>	<u>\$ (61,572)</u>	

c. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets Tax refund receivable	<u>\$ 160,660</u>	<u>\$ 100,493</u>	<u>\$ 145,259</u>
Current tax liabilities Income tax payable	<u>\$</u>	<u>\$</u>	<u>\$ 116,164</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences Impairment loss of financial instruments Exchange difference on translation	\$ 165,843	\$ 358	\$ -	\$ 166,201
of foreign operations Employee benefit plan	115,546 114,776	(5,087)	(49,821) 2,127	65,725 111,816
Payable for annual leave Allowance for possible losses Others	14,783 37,811 <u>34,186</u>	4,337 22,682 (16,918)	- - 	19,120 60,493 17,268
Loss carryforwards	482,945 2,822,272	5,372 (436,840)	(47,694) 	440,623 2,385,432
	\$ 3,305,217	<u>\$ (431,468)</u>	<u>\$ (47,694)</u>	<u>\$ 2,826,055</u>
Deferred tax liabilities				
Temporary differences Available-for-sale financial assets Amortization of goodwill	\$ -	\$ -	\$ (210,886)	\$ (210,886)
impairment loss Others	(325,855) (8,525)	(4,437) (6,855)		(330,292) (15,380)
	<u>\$ (334,380)</u>	<u>\$ (11,292)</u>	<u>\$ (210,886)</u>	<u>\$ (556,558)</u>

For the year ended December 31, 2012

	Oper	ing Balance	gnized in t or Loss	Ot Compre	nized in her ehensive ome	Closi	ng Balance
Deferred tax assets							
Temporary differences Impairment loss of financial instruments Exchange difference on ferrign	\$	164,834	\$ 1,009	\$	-	\$	165,843
Exchange difference on foreign operations		53,974	-		61,572	(115,546 Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Employee benefit plan Payable for annual leave	\$ 104,547 14,153	\$ 10,229 630	\$ -	\$ 114,776 14,783
Allowance for possible losses Others	201,575 16,562 555,645	(163,764) <u>17,624</u> (134,272)	61,572	37,811 34,186 482,945
Loss carryforwards Investment credits	3,071,284 3,082	(249,012) (3,082)		2,822,272
	<u>\$ 3,630,011</u>	<u>\$ (386,366)</u>	<u>\$ 61,572</u>	\$ 3,305,217
Deferred tax liabilities				
Temporary differences Amortization of goodwill impairment loss	\$ (344,266)	\$ 18,411	\$ -	\$ (325,855)
Others	(21,317)	12,792	<u> </u>	(8,525)
	<u>\$ (365,583)</u>	<u>\$ 31,203</u>	<u>s -</u>	<u>\$ (334,380)</u> (Concluded)

e. Information about loss carryforwards

The Bank's loss carryforwards as of December 31, 2013 were as followed:

Unused Amount	Expiry Year
\$ 6,580,482	2017
3,598,322	2018
3,654,973	2019
<u>198,175</u>	2020
<u>\$ 14,031,952</u>	

f. Loss carryforwards for which no deferred tax assets have been recognized:

		December 31, 2013	December 31, 2012	January 1, 2012
	Unused loss carryforwards	<u>\$</u>	<u>\$ 45,131</u>	\$ 232,417
g.	Information on the Bank's integrated income tax	ζ.		
		December 31,	December 31,	
		2013	2012	January 1, 2012

The creditable ratios for the distribution of the earnings of 2013 and 2012 were 0.09% (expected ratio) and 17.07%, respectively.

Under the Income Tax Law, for the distribution of earnings generated from January 1, 1998, the imputation credits allocable to ROC resident stockholders of the Bank are calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocable to stockholders of the Bank are based on the balance of the imputation credit accounts as of the date of dividend distribution. Thus, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

Based on Legal Interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, in the calculation of the imputation credits in the year of the first-time adoption of IFRSs, the cumulative retained earnings should include the net increase or net decrease in retained earnings arising from the first-time adoption of IFRSs.

h. The Bank's income tax returns through 2008 and 2011 have been examined and cleared by the tax authorities. The Bank disagreed with the tax authorities' assessment of the Bank's 2011 tax return and had applied for a reexamination of this return and an administrative appeal.

39. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

	Numerator (Amounts)		Denominator (Shares in	Earnings Per Share (NT\$)		
	Pretax	After Tax	Thousands)	Pretax	After Tax	
2013						
Basic EPS Less: Preferred dividends Basic EPS Income for the year	\$ 3,338,782 (8,962)	\$ 2,867,891 (8,962)				
attributable to common stockholders Effect of potential dilutive	3,329,820	2,858,929	2,199,674	<u>\$ 1.51</u>	<u>\$ 1.30</u>	
convertible preferred stock Bonus to employees	8,962	8,962	14,937 8,021			
Diluted EPS	\$ 3,338,782	<u>\$ 2,867,891</u>	2,222,632	<u>\$ 1.50</u>	<u>\$ 1.29</u>	
<u>2012</u>						
Basic EPS Less: Preferred dividends Basic EPS Income for the year attributable to common	\$ 3,050,424 (181,043)	\$ 2,634,718 (181,043)				
stockholders Effect of potential dilutive	2,869,381	2,453,675	1,910,527	<u>\$ 1.50</u>	<u>\$ 1.28</u>	
convertible preferred stock	181,043	181,043	301,738			
Diluted EPS	\$ 3,050,424	\$ 2,634,718	2,212,265	<u>\$ 1.38</u>	<u>\$ 1.19</u>	

If the Bank decides to 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 to be used in calculating the diluted EPS. This 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 Bank's record dates for the distribution of stock dividends appropriated from the 2013 and 2012 earnings were August 12, 2013 and September 15, 2012, respectively.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses and stock dividends. This adjustment caused the basic and diluted EPS after income tax for 2012 to decrease from NT\$1.41 to NT\$1.28 and from NT\$1.29 to NT\$1.19, respectively.

40. 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

Related Party	Relationship with the Bank
Union Finance and Leasing International Corporation (UFLIC)	Subsidiary
Union Information Technology Corporation (UIT)	Subsidiary
Union Insurance Broker Company (UIB)	Subsidiary
Union Finance International (H.K.) Limited	Subsidiary
Union 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 of the Bank
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 of the Bank
Union Enterprise Construction Co., Ltd. (UECC)	Director of the Bank
Zhong Li Venture Corporation	Director of the Bank
Jiang Jhen Syong	Director of the Bank
Lin Ci Yong	Supervisor of the Bank
Bao Xing Investment Corporation	Supervisor of the Bank
Yu-Pang Co., Ltd. ("Yu-Pang")	Director of the Bank
	(Continued)

Relationship with the Bank

Related Party

Li Tsai Jhao Mei Morgan Stanley Union Bank Assets Management Corporation (MSUB) Liang Ji Investment Corporation Union Recreation Enterprise Corporation Others Wife of the Bank's director Related party in substance

Related party in substance Related party in substance Directors, supervisors, managers, and their relatives and affiliates

(Concluded)

b. Significant transactions with related parties:

1) Loans

December 31, 2013

		Highest Balance in t	he	Loan (Classification	_	Differences in Terms of Transaction
Туре	Account Volume or Name	Year Ende December 3 2013		,	Nonper- forming Loans	Collaterals	with Those for Unrelated Parties
Consumer loans	5	\$ 3,78	5 \$ 3,7	07 \$ 3,707	\$ -	-	None
Self-used housing mortgage loans	18	92,96	4 86,9	35 86,935	-	Real estate	None
Others	UFLIC	2,239,54	9 2,167,7	88 2,167,788	-	Land, plant, buildings and foreign time deposits	None
Others	3	567,66	5 567,6	43 567,643	-	Land, plant, buildings and time deposits	None

December 31, 2012

			ighest nce in the				Loan Cla	ssificatio	n		Differences in Terms of Transaction
Туре	Account Volume or Name	Dece	r Ended mber 31, 2012		nding alance		ormal oans	for	nper- ming pans	Collaterals	with Those for Unrelated Parties
Consumer loans	1	\$	450	\$	450	\$	450	\$	_	-	None
Self-used housing mortgage loans	11		63,607		62,315		62,315		-	Real estate	None
Others	UFLIC	2,	062,486	2,0	044,926	2,0)44,926		-	Land, buildings and foreign time deposits	None

January 1, 2012

		Highest Balance in the		Loan Cla	ssification		Differences in Terms of Transaction
Туре	Account Volume or Name	Year Ended December 31, 2011	Ending Balance	Normal Loans	Nonper- forming Loans	Collaterals	with Those for Unrelated Parties
Consumer loans	3 16	\$ 1,150 61,489	\$ 1,010	\$ 1,010	\$ -	- Real estate	None None
Self-used housing mortgage loans	10	01,469	50,894	50,894	-	Real estate	None
Others	UFLIC	1,634,634	1,568,880	1,568,880	-	Land, buildings and foreign time deposits	None

	December 3	1	Int	ue	
-	Amount	%	Rate	Amoun	ıt %
2013 2012	\$ 2,826,073 2,107,691	1.23 1.04	1.34%-3.185% 1.2%-3.23%	\$ 46,5 40,4	
2) Deposits					
	December	31	In	terest Exper	ıse
	Amount	%	Rate	Amour	
2013 2012	\$ 3,301,340 2,422,662	0.90 0.72	0%-4.21% 0%-4.85%		153 0.42 411 0.36
3) Guarantees and letters	s of credit				
<u>December 31, 2013</u>					
Name	Highest Balance in the Year Ended December 31, 2013	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise	\$ 54,899	\$ 39,874	4 \$ -	0.3%-0.5%	Time deposits
Corporation The Liberty Times Co., Ltd. Long Shan Lin Corporation	17,390 71,040	13,665 71,040		0.05% 0.3%	Land and buildings Time deposits
<u>December 31, 2012</u>					
Name	Highest Balance in the Year Ended December 31, 2012	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	\$ 122,199	\$ 54,899	\$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd. Long Shan Lin Corporation	18,723 71,040	10,923 71,040		0.05% 0.3%	Land and buildings Time deposits
January 1, 2012					
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	\$ 82,232	\$ 79,749	9 \$ -	0.3%-0.5%	Time deposits
Corporation The Liberty Times Co., Ltd. Long Shan Lin Corporation	62,178 71,040	4,942 71,040		0.05% 0.3%	Land and buildings Time deposits

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

4) Securities brokerage fees

	For the Yea Decembe	
	Amount	%
2013	\$ 2,892	5.34
2012	4,013	7.36

5) 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., the Northern Collateral Appraisal Center, and five branches. Rentals are payable quarterly, with some contracts allowing placement with the lessors of lease deposits in lieu of rental payments. Rental expenses and lease deposits were as follows:

	Lease Deposit Other Financia	•	Rental Expense (Part of Other Operating Expense)			
	Amount	%	Amount	%		
<u>2013</u>						
Yu-Pang	\$ 454,290	26.09%	\$ 14,821	2.53%		
Hung-Kuo	218,760	12.56%	100,675	17.16%		
Yong-Xuan	13,649	0.78%	57,514	9.80%		
UECC	4,384	0.25%	9,266	1.58%		
UFLIC	-	-	3,447	0.59%		
<u>2012</u>						
Yu-Pang	454,290	23.84%	14,821	2.58%		
Hung-Kuo	218,760	11.48%	100,675	17.56%		
Yong-Xuan	13,649	0.72%	57,514	10.03%		
UECC	4,384	0.23%	9,266	1.62%		
UFLIC	-	-	3,447	0.60%		

The Bank rented cars for business use from UFLIC; the rental expenses were \$9,615 thousand in 2013 and \$9,094 thousand in 2011. Rentals payable as of December 31, 2013, December 31, 2012 and January 1, 2012 were \$85 thousand, \$107 thousand and \$64 thousand, respectively.

b) The Bank as lessor

The Bank's South Taoyuan Branch, Kaohsiung Branch, Minchuan 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 \$910 thousand each in 2013 and 2012. The lease deposits received (included in other liabilities) were \$235 thousand each in 2013 and 2012.

6) 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.

7) Available-for-sale financial assets

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Bank had purchased 59,386 thousand units, \$97,878 thousand units and \$48,344 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to \$757,198 thousand, \$1,213,996 thousand and \$554,130 thousand, respectively.

- 8) UIT sold computers and related materials and software and provided network services to the Bank. The purchase and service fees were \$90,667 thousand in 2013 and \$82,682 thousand in 2012.
- 9) The Bank provided insurance consulting service and sales assistance to UIB. The commission and fee revenues were \$173,769 thousand in 2013 and \$161,213 thousand in 2012. The commission revenues on insurance premium (included in commissions and fee revenue) were \$285,977 thousand in 2013 and \$310,225 thousand in 2012.
- 10) For credit card promotion, the Bank bought from Union Finance and Leasing International Corporation (UFLIC) classic commemorative watches and backpacks with authorized Ferrari logos for \$25,767 thousand (included in other operating expenses) in 2013.
- 11) The Bank has made an agreement in July 2013 with USITC to have in the Bank's custody the bonds issued by Lehman Brother Treasury Co. after the liquidation of asset-backed commercial paper of Taishin International Bank Co., Ltd. issued by the Land Bank of Taiwan. The aggregate face value is about USD \$4,451 thousand.

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 Bank employees for savings and loans within prescribed amounts.

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31		
	2012	2011	
Short-term employment benefits			
Salaries	\$ 27,390	\$ 27,142	
Transportation expenses	1,502	<u>1,626</u>	
•	28,892	28,768	
Post-employment benefits	3,384	<u>3,160</u>	
	<u>\$ 32,276</u>	<u>\$ 31,928</u>	

Compensation of directors and management personnel is determined by the remuneration committee on the basis of individual performance and market trends.

41. PLEDGED ASSETS

As of December 31, 2013, December 31, 2012 and January 1, 2012, government bonds and bank debentures, which amounted to \$119,500 thousand, \$158,200 thousand and \$179,800 thousand (all 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, 2013, December 31, 2012 and January 1, 2012, negotiable certificates of deposit, which amounted to \$8,700,000 thousand, \$5,000,000 thousand and \$2,500,000 thousand, respectively (all amounts included in other financial assets), had been provided to the Central Bank as collateral for day-term overdraft.

42. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Bank's commitments consisted of the following:

	December 31, 2013	December 31, 2012	January 1, 2012
Irrevocable standby loan commitment	\$ 76,818,305	\$ 80,707,797	\$ 56,477,623
Unused credit card commitment	183,598,978	164,444,216	162,269,984
Unused letters of credit	724,584	770,554	659,539
Other guarantees	10,679,535	9,660,110	9,564,282
Collections for customers	25,007,132	21,965,090	19,890,854
Travelers' checks consigned-in	146,347	169,335	196,253
Guarantee notes payable	4,350,700	5,187,400	2,709,000
Trust assets	59,050,568	57,129,343	51,228,724
Marketable securities under custody	407,669	427,849	617,939

b. The Bank as lessee

The Bank rents several office premises for its branches under operating leases with terms ranging between 2 and 20 years. All operating lease contracts over 5 years contain clauses for market rental reviews for every five years. The Bank does not have a bargain purchase option to acquire the leased premises at the expiration of the lease period.

As of December 31, 2013, December 31, 2012 and January 1, 2012, refundable deposits paid under operating leases were \$797,429 thousand, \$800,564 thousand and \$797,205 thousand, respectively (included in other assets - refundable deposits).

The Bank's future minimum lease payments for noncancellable operating lease commitments were as follows:

	Dec	ember 31, 2013	Dec	ember 31, 2012	Janu	ary 1, 2012
Within 1 year Over 1 year up to 5 years Over 5 years	\$	440,696 582,874 331,668	\$	408,437 784,072 356,122	\$	388,782 903,155 272,632
	<u>\$</u>	1,355,238	\$	1,548,631	<u>\$</u>	1,564,569

c. The Bank as lessor

The Bank rents out properties under operating leases with the terms ranging between 3 and 20 years. All operating lease contracts contain market review clauses so that the lessee has an option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiration of the lease period.

As of December 31, 2013, December 31, 2012 and January 1, 2012, refundable deposits paid under operating leases were \$3,618 thousand, \$3,618 thousand and \$3,548 thousand, respectively (included in other liabilities - guarantee deposits received).

The Bank's future minimum lease payments for noncancellable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within 1 year Over 1 year up to 5 years Over 5 years	\$ 9,190 11,293	\$ 9,679 15,275	\$ 9,433 22,909 <u>78</u>
	<u>\$ 20,483</u>	<u>\$ 24,954</u>	<u>\$ 32,420</u>

d. Computer equipment purchase contracts

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Bank had contracts to buy computer equipment and software for \$20,921 thousand, \$45,676 thousand and \$42,902 thousand, respectively, of which \$10,738 thousand, \$29,217 thousand and \$19,662 thousand had been paid as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts December 31, 2013

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	\$ 4,341,603	Income tax payable	\$ 104
Investments		Marketable securities payable	9,672,156
Mutual funds	35,670,405	Trust capital	49,423,727
Common stock	153,251	Reserve and deficit	(45,419)
Short-term bills and securities			
purchased under resell			
agreements	80,235		
Accounts receivable	2,127		
Stock in custody	9,672,156		
Real estate - land and building	9,130,791		
Total	\$ 59,050,568	Total	\$ 59,050,568

Balance Sheet of Trust Accounts December 31, 2012

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits Investments Mutual funds Common stock Short-term bills and securities purchased under resell agreements Accounts receivable	\$ 4,051,339 35,157,618 147,580 91,839	Income tax payable Marketable securities payable Trust capital Reserve and deficit	\$ 86 7,955,499 49,256,059 (82,301)
Stock in custody Real estate - land and building	7,955,499 9,722,823		
Total	\$ 57,129,343	Total	\$ 57,129,343
		of Trust Accounts y 1, 2012	
Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits Investments Mutual funds Common stock Short-term bills and securities purchased under resell agreements Accounts receivable Stock in custody Real estate - land and building	\$ 3,015,199 33,146,210 172,174 73,565 1,612 7,330,424 7,489,540	Income tax payable Marketable securities payable Trust capital Reserve and deficit	\$ 52 7,330,424 44,037,252 (139,004)
Total	<u>\$ 51,228,724</u>	Total	<u>\$ 51,228,724</u>
Income Statement of Trust Accounts Year Ended December 31, 2013			
			Amount
Trust income Interest revenue - demand accou Interest revenue - time deposits Interest revenue - short-term bill Cash dividends Income from beneficial certifica Realized capital gain - fund Unrealized capital gain - GTSM Unrealized capital gain - fund Total trust income	ls and securities pu	rchased under resell agreements	\$ 2,348 7,077 368 8,391 420 1,469 40,823 688 61,584 (Continued)

	Amount
Trust expense	
Management expense	\$ 7,654
Taxation	58,396
Realized capital loss - fund	297
Unrealized capital loss - fund	641
Other	17,824
Total trust expense	84,812
Loss before tax	(23,228)
Income tax expense	(1,304)
Net loss	<u>\$ (24,532)</u>

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

Income Statement of Trust Accounts Year Ended December 31, 2012

	A	mount
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 dividends		9,102
Income from beneficial certificates		371
Unrealized capital gain - GTSM stock		40,586
Unrealized capital gain - fund		1,107
Realized capital gain - fund		44
Total trust income	_	59,644
Trust expense		
Management expense		3,754
Custodian fee		8
Taxation		100,988
Unrealized capital loss - GTSM stock		867
Unrealized capital loss - fund		477
Realized capital loss - fund		278
Other	_	26,768
Total trust expense	_	133,140
Loss before tax		(73,496)
Income tax expense	_	(1,880)
Net loss	\$	(75,376)

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

Trust Property and Equipment Accounts December 31, 2013

Investment Portfolio	Amount
Bank deposits	\$ 4,341,603
Investments Mutual funds	35,670,405
Common stock	153,251
Short-term bills and securities purchased under resell agreements Accounts receivable	80,235 2,127
Stock in custody	9,672,156
Real estate - land and buildings	9,130,791
	\$ 59,050,568
Trust Property and Equipment Accounts December 31, 2012	
Investment Portfolio	Amount
Bank deposits Investments	\$ 4,051,339
Mutual funds	35,157,618
Common stock Short-term bills and securities purchased under resell agreements	147,580 91,839
Accounts receivable	2,645
Stock in custody	7,955,499
Real estate - land and buildings	9,722,823
	\$ 57,129,343
Trust Property and Equipment Accounts January 1, 2012	
Investment Portfolio	Amount
Bank deposits	\$ 3,015,199
Investments	
Mutual funds Common stock	33,146,210 172,174
Short-term bills and securities purchased under resell agreements	73,565
Accounts receivable	1,612
Stock in custody Real estate - land and buildings	7,330,424 7,489,540
	\$ 51,228,724

44. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

Except for the financial instruments shown in the following table, the management believes that the financial assets and financial liabilities recognized in the financial statements either have carrying amounts that approximate their fair values or have fair values that cannot be reasonably measured.

	December	r 31, 2013	Decembe	r 31, 2012	January 1, 2012		
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	
Financial assets							
Held-to-maturity financial assets Debt instruments with no active market	\$ 428,017 48,516,710	\$ 436,693 45,201,547	\$ 811,872 43,871,572	\$ 822,838 44,238,804	\$ 1,313,015 44,723,018	\$ 1,328,865 44,569,296	
Financial liabilities							
Bank debentures	7,400,000	7,557,098	5,200,000	5,360,295	4,890,000	5,023,408	

b. The financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants with full understanding of the sale or transfer transaction. The fair values of financial instruments at fair value, available-for-sale financial assets and hedging derivative financial instruments with quoted price in an active market are based on their market prices; financial instruments with no quoted prices in an active market are estimated by valuation methods.

1) Marking to market

This method should be used first to determine fair value. Following are the principles to follow in marking to market:

- a) Ensure the consistency and integrity of market data.
- b) The source of market data should be transparent and easy to access and can be referred to by independent resources.
- c) Listed securities with tradable prices should be valued at closing prices.
- d) Evaluating unlisted securities that lack tradable closing prices should use quoted prices from independent brokers.

2) Marking to model

The use of marking to model is suggested if marking to market is infeasible. This valuation methodology is based upon model inputs that are used to derive the value of the trading positions. The Bank uses the same estimations and assumptions as those used by market participants to determine the fair value.

The Bank uses the forward rates provided by Reuters to estimate the fair values of forward contracts, foreign exchange swap contracts, interest rate swap and cross-currency swap contacts and the discounted cash flow method to calculate the fair values of each contract. For foreign exchange option transactions, the Bank uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contracts.

For debt instruments with no active market, the Bank estimates fair values based on prices quoted by counterparties and adjusted in accordance with the results of the evaluation of a debtor's credit.

c. Three-level fair value hierarchy

The definitions of each level of the fair value hierarchy are shown below:

1) Level 1

Level 1 financial instruments are traded in an active market in which there are quoted prices for identical assets and liabilities. An active market has the following characteristics:

- a) All financial instruments in the market are homogeneous.
- b) There are willing buyers and sellers in the market all the time.
- c) The public can access the price information easily.

The products in this level, such as listed stocks and beneficial securities, usually have high liquidity or are traded in futures market or exchanges.

2) Level 2

The products in this level have fair values that can be inferred from either directly or indirectly observable inputs other than quoted prices in an active market. Examples of these inputs are:

- a) Quoted prices from the similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule's differences, interested parties' prices, and the correlation of price between itself and the similar goods;
- b) Quoted prices for identical or similar financial instruments in inactive markets;
- c) For the marking-to-model method, the inputs to this model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;
- d) Inputs that are derived from observable market data through correlation or other means.

The fair values of products categorized in this level are usually calculated using a valuation model generally accepted by the market. Examples are forward contracts, cross-currency swap, simple interest bearing bonds, convertible bonds and commercial paper.

3) Level 3

The fair values of the products in this level are typically based on management assumptions or expectations other than the direct market data. For example, historical volatility used in valuing options is an unobservable input because it cannot represent the entire market participants' expectation on future volatility.

The products in this level are complex derivate financial instruments or products with prices that are provided by brokers. Examples are complex foreign exchange options.

d. The fair value hierarchies of the Bank's financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2013								
-	Total	Level 1	Level 2	Level 3					
Nonderivative financial instruments									
Assets									
Financial assets at fair value through									
profit or loss (FVTPL)									
Held-for-trading financial assets									
Stock	\$ 157,846	\$ 157,846	\$ -	\$ -					
Debt instruments	205,635	-	205,635	-					
Commercial paper	7,566,717	-	7,566,717	-					
Financial assets designated as at									
FVTPL on initial recognition	1,854,346	-	1,854,346	-					
Available-for-sale financial assets									
Stock	2,007,897	2,007,897	-	-					
Debt instruments	4,862,614	-	4,862,614	-					
Negotiable certificates of deposit	216,098	-	216,098	-					
Beneficial certificates	1,413,583	1,413,583	-	-					
Derivative financial instruments									
A 4 .									
Assets	70.712		70.065	5 0.40					
Financial assets at FVTPL	78,713	-	72,865	5,848					
Liabilities Financial liabilities at FVTPL	16,006		10.150	£ 0.40					
Financial habilities at FV IPL	16,006	-	10,158	5,848					
	December 31, 2012								
-									
	Total	Level 1	Level 2	Level 3					
	Total	Level 1	Level 2	Level 3					
Nonderivative financial instruments	Total	Level 1	Level 2	Level 3					
	Total	Level 1	Level 2	Level 3					
Assets	Total	Level 1	Level 2	Level 3					
Assets Financial assets at fair value through	Total	Level 1	Level 2	Level 3					
Assets Financial assets at fair value through profit or loss (FVTPL)	Total	Level 1	Level 2	Level 3					
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets									
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock	\$ 7,984	Level 1 \$ 7,984	\$ -	Level 3					
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments	\$ 7,984 51,190		\$ - 51,190						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper	\$ 7,984		\$ -						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at	\$ 7,984 51,190 5,138,492		\$ - 51,190 5,138,492						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition	\$ 7,984 51,190		\$ - 51,190						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets	\$ 7,984 51,190 5,138,492 2,821,369	\$ 7,984 - - -	\$ - 51,190 5,138,492						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142		\$ - 51,190 5,138,492 2,821,369						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625	\$ 7,984 - - - - 1,620,142	\$ - 51,190 5,138,492						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments Beneficial certificates	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625 1,336,890	\$ 7,984 - - -	\$ - 51,190 5,138,492 2,821,369 - 6,482,625						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625	\$ 7,984 - - - - 1,620,142	\$ - 51,190 5,138,492 2,821,369						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments Beneficial certificates	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625 1,336,890	\$ 7,984 - - - - 1,620,142	\$ - 51,190 5,138,492 2,821,369 - 6,482,625						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments Beneficial certificates Commercial paper Derivative financial instruments	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625 1,336,890	\$ 7,984 - - - - 1,620,142	\$ - 51,190 5,138,492 2,821,369 - 6,482,625						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments Beneficial certificates Commercial paper Derivative financial instruments Assets	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625 1,336,890 797,499	\$ 7,984 - - - - 1,620,142	\$ - 51,190 5,138,492 2,821,369 - 6,482,625 - 797,499	\$ - - - -					
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments Beneficial certificates Commercial paper Derivative financial instruments Assets Financial assets at FVTPL	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625 1,336,890	\$ 7,984 - - - - 1,620,142	\$ - 51,190 5,138,492 2,821,369 - 6,482,625						
Assets Financial assets at fair value through profit or loss (FVTPL) Held-for-trading financial assets Stock Debt instruments Commercial paper Financial assets designated as at FVTPL on initial recognition Available-for-sale financial assets Stock Debt instruments Beneficial certificates Commercial paper Derivative financial instruments Assets	\$ 7,984 51,190 5,138,492 2,821,369 1,620,142 6,482,625 1,336,890 797,499	\$ 7,984 - - - - 1,620,142	\$ - 51,190 5,138,492 2,821,369 - 6,482,625 - 797,499	\$ - - - -					

		January	1, 2012	
	Total	Level 1	Level 2	Level 3
Nonderivative financial instruments				
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	-	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	119,787	-	118,790	997
Liabilities				
Financial liabilities at FVTPL	33,852	-	32,855	997

e. Reconciliation of Level 3 items of financial instruments

1) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2013

(In Thousands of New Taiwan Dollars)

		Valuation	Amount o	f Increase	Amount o	f Decrease	
Items	Beginning Balance	Gain (Loss) in Net Income or Stockholders' Equity	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	Ending Balance
Financial assets at fair value through profit or loss Derivative financial							
assets	\$ 908	\$ (1,418)	\$ 23,268	\$ -	\$ (16,910)	\$ -	\$ 5,848

For the year ended December 31, 2012

(In Thousands of New Taiwan Dollars)

		Valuation	Amount	of Increase	Amount o	f Decrease	
Items	Beginning Balance	Gain (Loss) in Net Income or Stockholders Equity	Change in	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	Ending Balance
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

2) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2013

(In Thousands of New Taiwan Dollars)

		Valuation	Amount o	f Increase	Amount o	f Decrease	Ending Balance	
Items	Beginning Balance	Gain (Loss) in Net Income or Stockholders' Equity	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	\$ 908	\$ (2,469)	\$ 25,948	\$ -	\$ (18,539)	\$ -	\$ 5,848	

For the year ended December 31, 2012

(In Thousands of New Taiwan Dollars)

		Valuation	Amount o	f Increase	Amount o	f Decrease		
Items	Beginning Balance	Gain (Loss) in Net Income or Stockholders' Equity	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	Ending Balance	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	\$ 997	\$ 3,987	\$ 16,790	\$ -	\$ (20,866)	\$ -	\$ 908	

f. Transfer between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2013 and 2012.

g. Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

The Bank's Level 3 financial instruments are foreign exchange options. When engaging in foreign exchange option transactions, the Bank makes a match for other banks and customers. Thus, the Bank does not hold positions, and its source of profit and loss is from receiving and paying premiums. The sensitivity analysis has no effect on profit and loss since the Bank does back-to-back transactions and the assets offset the liabilities.

45. FINANCIAL RISK MANAGEMENT

a. Overview

To deal with any expected or unexpected business risk, the Bank has established a comprehensive risk management system to allocate resources effectively and efficiently, strengthen business competitiveness, mitigate operational risk to a tolerable or acceptable level, and maintain the capital adequacy ratio to meet the minimum requirements of the authorities and the Basel Accord framework.

b. Risk management framework

The Board of Directors, which occupies the highest level in the Bank's risk management framework, reviews risk management policies, the overall risk management framework and organization structure for carrying out responsibilities and exercising accountability. The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division. The Risk Management Division is an independent unit that is in charge of reviewing the risk management system designed by business units and the compliance with risk

management requirements; this division also submits risk management reports to the authorities and develops a series of risk management tools to assess the risks identified. Business units establish risk control procedures, manage and monitor the implementation of those controls in operation units. Operation units perform daily risk management work and internal controls to ensure the accuracy and completeness of the risk management information generated.

c. Credit risk

1) Credit risk definitions and sources

Credit risk refers to the risk of losses caused by borrowers, debtors, or counterparties' failure to fulfill their contractual obligations due to deteriorating financial position or other factors. It arises principally from transactions involving discounts, loans, credit cards, due from or call loans to banks, debt investments and derivatives etc., and also from off-balance sheet products such as guarantees, acceptance, letters of credit and commitments.

2) Strategy/objectives/policies and processes

- a) Credit risk management strategy: The Bank has established "Credit Risk Management Standards of Union Bank of Taiwan" as the basis of planning, implementing, and managing credit risk management system.
- b) Credit risk management objective: The objectives are to establish and implement an effective credit risk management mechanism to mitigate credit risk, archive operational and management goals, and balance business development and risk control.
- c) Credit risk management policy: The policies are meant to ensure that credit risk falls within an acceptable range and that adequate capital is maintained to meet credit risk management objectives and create maximum risk-adjusted returns.
- d) Credit risk management process: The Bank carries out credit risk identification, credit risk measurement, credit risk mitigation, credit risk monitoring and control and credit risk reporting process as part of its credit risk management mechanism.

3) Credit risk management framework

- a) The Board of Directors: The Board of Directors, the top risk supervisor of the Bank, reviews risk management policies, operational risk limits and the design and change of credit risk management framework.
- b) Asset/Liability Management Committee: This committee inspects management reports or information provided by business units and the Risk Management Division.
- c) Risk Management Division: The Risk Management Division is an independent unit that is in charge of the work related to three pillars of Basel and reviews the risk management system designed by business units and the compliance with risk management requirements; the division also submits risk management reports to the authorities and develops risk management tools to assess the risk identified.
- d) Business units: Business units are responsible for establishing risk management regulations and risk control procedures and managing and monitoring the implementation of those controls in operation units.
- e) Operation units: Under the risk management regulations and procedures set by business units, operation units perform daily risk management work and internal controls and prepares reports on these tasks.

4) Credit risk measurement, control and reporting

- a) The range of credit risk reporting:
 - i. Each business unit will regularly report the promotion of the business and the allocation of risk assets to the Assets/Liability Management Committee (ALMC).
 - ii. The Bank's risk management department regularly monitors the credit limit control situations and reports to the ALMC the credit concentration and the status of each business' achieving BIS (Bank for International Settlements) goals. The department also presents the volume of business NPL situation, credit concentration and the execution of credit risk control to the Board.

b) Measurement system:

The Bank's credit risk management adopts the use of the standardized approach to calculate capital charge and regularly submits related reports to the government. The risk management division and business units implement the Bank's management system and monitors the credit exposure of the business, industry, and countries as well as the concentration of credit and collateral to effectively measure and manage investment portfolio.

5) Mitigation of risks or hedging of credit risk

The Bank is exposed to loss on each credit risk faced by its business. Thus, depending on the nature of the business and the cost considerations, the Bank will take appropriate rmeasures to control risk. The Bank's information systems provide information that can be used in managing risk control procedures, and the risk management division reports to the board every six months the business risk management status.

6) Maximum exposure to credit risk

The maximum credit exposures of assets in the balance sheet are almost equivalent to their carrying values. These off-balance sheet maximum credit exposures (excluding collaterals and other credit enhancement instruments) are shown as follows:

	The Maximum Credit Exposure							
Off-Balance Sheet Items	December 31, 2013	December 31, 2012	January 1, 2012					
Irrevocable standby loan commitment	\$ 407,811	\$ 68,082	\$ 900,303					
Unused letters of credit	724,584	770,554	659,539					
Other guarantees	10,679,535	9,660,110	9,564,282					
Unused credit card commitments	183,598,978	164,444,216	162,269,984					

7) Concentrations of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

There can be credit risk concentrations in a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. These exposures can cover credits, loans and deposits, call loans to banks, investments, receivables and derivatives. To minimize its credit risk, the Bank maintains a diversified portfolio; limits its exposure to any one geographic region, country or individual creditor; and closely monitors its exposures. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

	December 31	, 2013	December 31,	2012	January 1, 2	2012
	Amount	%	Amount	%	Amount	%
Private enterprises	\$ 56,868,907	23.36	\$ 56,430,448	26.38	\$ 51,420,728	25.42
Public enterprises	4,038,000	1.66	2,390,000	1.12	-	-
Government organizations	19,000,000	7.8	6,600,000	3.09	8,083,000	4.00
Nonprofit organizations	1,054,984	0.43	980,633	0.46	721,270	0.35
Private organizations	160,782,463	66.04	145,497,961	68.03	140,863,698	69.64
Financial institutions	-	-	17,000	0.01	98	-
Foreign enterprises	1,725,014	0.71	1,946,095	0.91	1,189,032	0.59
Total	243,469,368	100.00	213,862,137	100.00	202,277,826	100.00

b) By geographical area

The Bank's operations are mainly in Taiwan.

c) By collaterals

	December 31	, 2013	December 31,	, 2012	January 1, 2	2012
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 41,390,240	17.00	\$ 27,690,137	12.95	\$ 23,428,694	11.58
Secured						
Financial instruments	6,721,311	2.76	5,622,986	2.63	5,763,770	2.85
Stocks	8,106,758	3.33	7,362,753	3.44	5,618,725	2.78
Properties	166,388,408	68.34	156,149,002	73.01	152,032,520	75.16
Movables	10,171,610	4.18	8,923,830	4.17	8,178,589	4.04
Guarantees	6,376,124	2.62	4,318,889	2.02	4,292,388	2.12
Others	4,314,917	1.77	3,794,540	1.78	2,963,140	1.47
Total	243,469,368	100.00	213,862,137	100.00	202,277,826	100.00

8) Credit quality and impairment assessment

Some financial assets - cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bonds and clearing and settlement fund - are regarded as having very low credit risk because of the good credit ratings of counterparties. Other financial assets not regarded as having low credit risk are summarized as follows:

a) Discounts, loans and receivables

		Neithe	r Past Due Nor Im	paired				Loss Recognized (D)			
December 31, 2013	Excellent	Good	Acceptable	No Ratings	Subtotal (A)	Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	With Objective Evidence of Impairment	With No Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Receivables											
Credit card business	\$ 6,112,602	\$ 3,894,359	\$ 74,870	\$ -	\$ 10,081,831	\$ 168,377	\$ 1,945,801	\$ 12,196,009	\$ 89,021	\$ 44,886	\$ 12,062,102
Acceptances receivable	71,567	51,238	-	-	122,805	-	-	122,805	-	255	122,550
Others	1,201,786	77,280	25,653	3,194	1,307,913	2,090	390,045	1,700,048	118,839	23,243	1,557,966
Discounts and loans											
Consumer finance	78,856,081	28,371,536	19,515,676	1,915,312	128,658,605	309,645	81,889	129,050,139	45,771	1,350,220	127,654,148
Corporate banking	60,960,208	38,906,782	1,173,152	-	101,040,142	25,270	2,551,477	103,616,889	476,265	652,180	102,488,444

		Neithe	r Past Due Nor Im	paired					Loss Reco	gnized (D)	
December 31, 2012	Excellent	Good	Acceptable	No Ratings	Subtotal (A)	Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	With Objective Evidence of Impairment	With No Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Receivables											
Credit card business	\$ 5,264,015	\$ 4,122,572	\$ 80,992	\$ -	\$ 9,467,579	\$ 144,532	\$ 2,283,054	\$ 11,895,165	\$ 131,325	\$ 24,215	\$ 11,739,625
Acceptances receivable	142,674	-	-	-	142,674	-	-	142,674	-	312	142,362
Others	1,726,963	-	-	-	1,726,963	599,283	56,104	2,382,350	16,157	85	2,366,108
Bill purchased	2,452	-	-	-	2,452	-	-	2,452	-	-	2,452
Discounts and loans											
Consumer finance	67,742,182	27,492,774	21,451,938	1,802,423	118,489,317	332,280	120,888	118,942,485	65,347	1,227,931	117,649,207
Corporate banking	43,241,331	37,895,674	1,205,154	-	82,342,159	58,823	2,715,886	85,116,868	292,475	640,162	84,184,231

		Neithe	r Past Due Nor Im	paired					Loss Reco	gnized (D)	
January 1, 2012	Excellent	Good	Acceptable	No Ratings	Subtotal (A)	Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	With Objective Evidence of Impairment	With No Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Receivables											
Credit card business	\$ 6,040,114	\$ 4,542,083	\$ 90,632	\$ -	\$ 10,672,829	\$ 133,193	\$ 2,745,424	\$ 13,551,446	\$ 246,000	\$ 52,653	\$ 13,252,793
Acceptances receivable	106,760	-	-	-	106,760	-	-	106,760	-	539	106,221
Others	1,153,451	-	-	-	1,153,451	599,283	1,024,323	2,777,057	1,024,323	8,063	1,744,671
Bill purchased	473	-	-	-	473	-	-	473	-	-	473
Overdue receivables	-	-	-	-	-	-	10,140	10,140	-	-	10,140
Discounts and loans											
Consumer finance	61,628,800	25,919,881	23,326,595	1,749,695	112,624,971	319,053	189,435	113,133,459	112,765	1,042,303	111,978,391
Corporate banking	39,930,555	34,983,301	1,339,061	-	76,252,917	90,065	3,130,343	79,473,325	207,379	564,344	78,701,602

b) Credit quality analysis of securities

	ı	Neither Past Due Nor I	mpaired Amount (Not	e)				Loss Reco	gnized (D)	
December 31, 2013	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)	Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	With Objective Evidence of Impairment	With Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Available-for-sale financial assets										
Investments in bonds	\$ 4,862,614	\$ -	\$ -	\$ 4,862,614	\$ -	\$ -	\$ 4,862,614	\$ -	\$ -	\$ 4,862,614
Investments in stocks	1,950,638	57,259	-	2,007,897	-	-	2,007,897	-	-	2,007,897
Others	404,310	-	1,225,371	1,629,681	-	-	1,629,681	-	-	1,629,681
Held-to-maturity financial assets										
Investments in bonds	329,335	-	-	329,335	-	-	329,335	-	-	329,335
Others	98,682	-	-	98,682	-	-	98,682	-	-	98,682
Other financial assets										
Investments in bonds	48,516,710	-	-	48,516,710	-	-	48,516,710	-	-	48,516,710
Investments in stocks	-	-	413,715	413,715	-	-	413,715	-	-	413,715

	N	leither Past Due Nor I	mpaired Amount (Not	e)				Loss Reco	gnized (D)	
December 31, 2012	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)	Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	With Objective Evidence of Impairment	With Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Available-for-sale financial assets Investments in bonds Investments in stocks Others	\$ 6,482,625 1,526,335 1,309,589	\$ - 93,807 -	\$ - 824,800	\$ 6,482,625 1,620,142 2,134,389	\$ - -	\$ - - -	\$ 6,482,625 1,620,142 2,134,389	\$ - -	\$ - -	\$ 6,482,625 1,620,142 2,134,389
Held-to-maturity financial assets Investments in bonds Other financial assets Investments in bonds	811,872 43,871,572	-	53,808	811,872 43,925,380	-	66,552	811,872 43,991,932	66,552	-	811,872 43,925,380
Investments in stocks	-	-	448,378	448,378	-	-	448,378	-	-	448,378

]	Neither Past Due Nor I	mpaired Amount (Not	e)				Loss Reco	gnized (D)	
January 1, 2012	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)	Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	With Objective Evidence of Impairment	With Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Available-for-sale financial assets										
Investments in bonds	\$ 5,100,766	\$ -	\$ -	\$ 5,100,766	\$ -	\$ -	\$ 5,100,766	\$ -	\$ -	\$ 5,100,766
Investments in stocks	1,235,521	216,269	59,772	1,511,562	-	-	1,511,562	-	-	1,511,562
Others	4,006	-	900,562	904,568	-	-	904,568	-	-	904,568
Held-to-maturity financial assets										
Investments in bonds	1,313,015	=	-	1,313,015	=	-	1,313,015	-	-	1,313,015
Other financial assets										
Investments in bonds	44,723,018	=	69,188	44,792,206	-	69,188	44,861,394	69,188	=	44,792,206
Investments in stocks	-	-	450,451	450,451	-	-	450,451	-	-	450,451

Note: The definitions are as follows:

- 1. Investment Grade: Credit rating is BBB or higher or 1-5 TCRI corporate rating of TEJ if it is a publicly traded company.
- 2. Non-investment Grade: Credit rating is BB + or higher or 6-9 TCRI corporate rating of TEJ if it is a publicly traded company.
- 3. No Ratings: No external ratings.

9) Aging analysis of overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets becoming overdue but unimpaired. Based on the Bank's internal risk management policies, financial assets that are 90 days overdue are not considered impaired unless evidences show otherwise.

The aging analysis of overdue but unimpaired financial assets was as follows:

		December 31, 2013								
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Six Months	Total						
Accounts receivable										
Credit cards	\$ 133,441	\$ 34,936	\$ -	\$ 168,377						
Discounts and loans										
Consumer finance	250,725	58,920	-	309,645						
Corporate banking	15,933	9,337	-	25,270						

		December 31, 2012								
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Six Months	Total						
Accounts receivable										
Credit cards	\$ 103,472	\$ 41,060	\$ -	\$ 144,532						
Discounts and loans										
Consumer finance	214,122	118,158	-	332,280						
Corporate banking	10,588	48,235	-	58,823						

		January 1, 2012								
	Tł	rdue Less nan One Month	to	rdue One Three Months	Three	to Six		Total		
Accounts receivable										
Credit cards	\$	97,787	\$	35,406	\$	-	\$	133,193		
Discounts and loans										
Consumer finance		235,046		84,007		-		319,053		
Corporate banking		56,156		33,909		-		90,065		

10) Analysis of impairment for financial assets

The Bank's assessment of loans and receivables for impairment indicated no impairment loss on due from other banks, due from the Central Bank and call loans to other banks. The assessment of the other loans and receivables was as follows:

Discounts and loans

		December	r 31, 2013	Decembe	r 31, 2012	January 1, 2012		
Type of Impairment Assessment		Discounts and Loans	Allowance for Doubtful Accounts	Discounts and Loans	Allowance for Doubtful Accounts	Discounts and Loans	Allowance for Doubtful Accounts	
With objective evidence	Individually assessed for impairment	\$ 2,485,682	\$ 439,408	\$ 2,634,534	\$ 237,867	\$ 3,030,153	\$ 141,133	
of impairment	Collectively assessed for impairment	384,979	82,628	493,839	119,955	639,371	179,011	
With no objective evidence of impairment	Collectively assessed	230,200,571	2,002,400	201,396,518	1,868,093	185,273,888	1,606,647	

- Note 1: The loans are those originated by the Bank, and are not net of the allowance for doubtful accounts and adjustments for discount (premium).
- Note 2: The above loans include accrued interest receivables on loans, acceptances, guarantee payment receivables and exchange bills negotiated.

Receivables

		December	r 31, 2013	Decembe	r 31, 2012	January 1, 2012		
Type of Impairment	Type of Impairment Assessment		Allowance for Doubtful Accounts	Receivables	Allowance for Doubtful Accounts	Receivables	Allowance for Doubtful Accounts	
With objective evidence	Individually assessed for impairment	\$ 1,177,944	\$ 117,166	\$ 1,563,932	\$ 16,157	\$ 2,132,606	\$ 1,024,323	
of impairment	Collectively assessed for impairment	1,945,801	89,021	2,283,054	131,325	2,745,424	246,000	
With no objective evidence of impairment	Collectively assessed	10,246,666	70,057	9,611,146	24,612	10,805,448	61,255	

- Note 1: The receivables are those originated by the Bank, and are not net of the allowance for doubtful accounts and adjustments for discount (premium).
- Note 2: The above receivables and allowances exclude accrued interest receivables on loans, acceptances, guarantee payments receivables, nondelivery receivables and option payments receivable, etc

11) Analysis of impairment for financial assets

On the basis of the result of a credit evaluation, the Bank may require collaterals before drawings are made on the credit facilities. For minimized credit risk, appropriate collaterals are required on the basis of the borrowers' financials and debt service capabilities. All guarantees and appraisal procedures follow the authorities' relevant regulations and the Bank's internal rules. The Bank's internal rules describe the acceptable types of collaterals, appraisal methods, appraisal process, and post-approval collateral management, which require the close monitoring of the value of collaterals to ensure repayment security. The main collateral types are summarized as follows:

- a) Real estate
- b) Other property
- c) Securities/stock
- d) Deposits/certificates of deposits
- e) Credit guarantee fund or government guarantee

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk means banks cannot provide sufficient funding for asset size growth and for meeting obligations on matured liabilities or have to make late payments to counterparties or raise emergency funding to cover funding gaps.

2) Liquidity risk management strategy and principles

a) The Board of Directors, the top risk supervisor of the Bank, regularly reviews liquidity risk management policies. The Asset/Liability Management Committee, the top liquidity risk executive of the Bank, supervises the implementation of liquidity risk monitoring and control procedures and is responsible for taking any needed remedial measures.

- b) In making internal transfer pricing, performance evaluation and new product development decisions, the operation units take liquidity cost and product effectiveness and risks into consideration and align their decisions with the Bank's overall liquidity risk management policies.
- c) The fund procurement department implements funding strategies in accordance with the conservatism principle to diversify the funding sources and negotiate reasonable repayment periods to ensure continuing participation in the lending market, and maintains a close relationship with fund providers to strengthen financing channels and ensure the stability and reliability of fund sources.
- d) To strengthen liquidity risk management, the Bank has regulations requiring the daily execution of risk management procedures and the monitoring of implementation to maintain sufficient liquidity.
- e) The risk management units report the Bank's liquidity position to the Asset/Liability Management Committee monthly and report the Bank's liquidity risk management to the Board of Directors regularly.
- 3) The liquidity risk analysis of the cash inflow and outflow of assets and liabilities held for liquidity risk refers to the amounts of the obligations for the remaining maturity periods, i.e., from the reporting date to the contract maturity dates. The maturity analysis of financial assets and liabilities was as follows:
 - a) The maturity analysis of financial assets and liabilities

	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Assets						
Cash and cash equivalents	\$ 7,190,960	\$ 105,000	\$ 192,000	\$ 206,000	\$ -	\$ 7,693,960
Due from the Central Bank and other banks Financial assets at fair value through profit or	61,998,949	969,979	1,144,980	2,438,450	4,321,694	70,874,052
loss	7,985,111	1,458	320,998	298,856	1,256,834	9,863,257
Securities purchased under resell agreements	17,806,782	2,423,737	-	-	-	20,230,519
Receivables	5,540,820	1,982,917	2,128,634	3,387,032	979,459	14,018,862
Available-for-sale financial assets	50,039	11 001 704	219,282	726,956	7,503,915	8,500,192
Discounts and loans	14,243,314 5,101	11,881,784 198,944	29,415,816	42,537,260 89,854	134,588,854	232,667,028 428,017
Held-to-maturity investments Debt instruments with no active market	5,101	133,356	402,136	2,394,048	134,118 45,587,170	428,017
Debt instruments with no active market	114,821,076	17,697,175	33,823,846	52,078,456	194,372,044	412,792,597
<u>Liabilities</u>	114,021,070	17,077,173	33,023,040	32,070,430	174,572,044	412,772,371
Call loans and due to banks	106,832	-	2,000,000	2,817,779	_	4,924,611
Financial liabilities at fair value through profit or						
loss	5,902	3,105	2,828	4,171	-	16,006
Securities sold under repurchase agreements	17,504,555	7,078,102	-	-	-	24,582,657
Payables	2,653,349	859,693	525,690	110,613	18,803	4,168,148
Deposits and remittance	33,101,655	38,885,529	54,622,162	90,736,571	147,774,244	365,120,161
Bank debentures				=	7,400,000	7,400,000
	53,372,293	46,826,429	57,150,680	93,669,134	155,193,047	406,211,583
Net liquidity gap	<u>\$ 61,448,783</u>	<u>\$ (29,129,254</u>)	<u>\$ (23,326,834</u>)	<u>\$ (41,590,678</u>)	\$ 39,178,997	<u>\$ 6,581,014</u>
			December	31, 2012		
		Due Between	Due Between	Due Between		
		after One	after Three	after Six		
	Due in	Month and	Months and Six	Months and	Due after	m . 1
	One Month	Three Months	Months	One Year	One Year	Total
<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	5,644,479	2,342,462	2,118,221	3,473,428	841,599	14,420,189
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
Debt instruments with no active market					43,871,572	43,871,572

24,002,761

21,574,004

39,672,823

388,209,160 (Continued)

118,092,241

			December	31, 2012		
	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>Liabilities</u>						
Call loans and due to banks Financial liabilities at fair value through profit or	\$ 297,658	\$ -	\$ 2,000,000	\$ 2,817,779	\$ -	\$ 5,115,437
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	5,167,625	878,223	397,704	117,207	20,551	6,581,310
Deposits and remittance	35,819,872	40,497,492	50,791,156	86,248,816	124,041,800	337,399,136
Bank debentures		<u>-</u>			5,200,000	5,200,000
	57,529,880	53,434,682	53,200,027	89,185,709	129,262,351	382,612,649
Net liquidity gap	<u>\$ 60,562,361</u>	<u>\$ (29,431,921</u>)	<u>\$ (31,626,023</u>)	<u>\$ (49,512,886</u>)	\$ 55,604,980	\$ 5,596,511
					((Concluded)

January 1, 2012 Due Between Due Due Between **Due Between** after One after Three after Six Due in Months and Six Months and Due after One Month Total Three Months Months One Year One Year Assets Cash and cash equivalents

Due from the Central Bank and other banks \$ 7,887,592 73,106,171 135,000 21,426,807 162,000 1,553,316 206,000 2,584,946 \$ 8,390,592 101,781,769 3,110,529 Financial assets at fair value through profit or 26,712 5,569,794 1,541 1,326 2,568,170 8,167,543 loss Securities purchased under resell agreements Receivables 251,626 16,435,263 251,626 5,447,329 3,480,702 2,421,023 3,932,730 1,153,479 Discounts and loans 8 576 978 10.365,330 15,542,071 38,094,496 120 027 909 192,606,784 Available-for-sale financial assets Held-to-maturity investments 150,502 231,413 400,832 234,171 6,734,149 7,516,896 1,313,015 393,765 685,079 44,723,018 179,002,333 Debt instruments with no active market 44,723,018 19,911,364 101,383,757 35,434,551 45,454,501 381,186,506 Liabilities 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 8,778 13,248,798 779,244 33,852 34,522,173 5,975,888 23,814 21,263,332 635 10,043 625 Securities sold under repurchase agreements 222 011 189 434 Payables 4 298 510 486 689 Deposits and remittance 28,260,490 39,075,349 51,066,384 95,219,848 109,134,839 4,890,000 375,186,079 Bank debentures 1.190.000 3,700,000 53,880,412 53,112,169 54,063,751 101,105,474 113,024,273 Net liquidity gap \$ 47,503,345 <u>\$ (17,677,618</u>) \$ (34,152,387) \$ (55,650,973) \$ 65,978,060 \$ 6,000,427

b) The maturity analysis of derivatives financial liabilities - forward exchange contracts and currency swap contracts

			Decembe	r 31, 2013		
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts Cash outflow Cash inflow Subtotal Derivative financial liabilities to be	\$ 5,303,323 	\$ 477,929 475,043 2,886	\$ 414,710 413,292 1,418	\$ 10,347 10,257 90	\$ - - -	\$ 6,206,309 6,197,060 9,249
settled at net amounts Forward exchange contracts	939	_	<u>-</u>	_	_	939
	<u>\$ 5,794</u>	<u>\$ 2,886</u>	<u>\$ 1,418</u>	<u>\$ 90</u>	<u>\$</u>	<u>\$ 10,188</u>
			Decembe	r 31, 2012		
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts Cash outflow	\$ 5,157,047	\$ 1,524,445	\$ 188,902	\$ 1,845	\$ -	\$ 6,872,239
Cash inflow	5,132,345	1,523,794	188,113	1,782		6,846,034
	\$ 24,702	<u>\$ 651</u>	\$ 789	<u>\$ 63</u>	<u>\$</u>	\$ 26,205
			January	1,2012		
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts Cash outflow	\$ 6,321,346	\$ 141,321	\$ 36,379	\$ 7,706	\$ -	\$ 6,506,752
Cash inflow	6,297,742	132,637	35,801	7,695		6,473,875
	\$ 23,604	\$ 8,684	<u>\$ 578</u>	<u>\$ 11</u>	<u>\$</u>	<u>\$ 32,877</u>

c) The maturity analysis of derivatives financial liabilities - option contracts

	December 31, 2013					
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	<u>\$</u>	<u>\$</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>\$</u>
			December	31, 2012		
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	<u>\$ 119</u>	<u>\$ 56</u>	<u>\$ 51</u>	<u>\$ 434</u>	<u>\$</u>	<u>\$ 660</u>
			January	1, 2012		
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	\$ 59	\$ 39	\$ 2 <u>55</u>	\$ 583	\$ -	\$ 93 <u>6</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices), which may cause financial instruments classified in the trading book to give rise to a potential loss on or off the balance sheet.

2) Market risk management strategy and processes

The Bank implements the "Market Risk Management Standards of Union Bank of Taiwan," which had been approved by the Board of Directors, as the basis of market risk management.

The market risk management processes are risk identification, risk measurement, risk monitoring and control, risk reporting and risk mitigation.

- a) Risk identification: For balance sheet and off-balance sheet items, the Bank identifies and assesses market risk factors of products and the investment business and subjects them to risk management, monitoring and control procedures.
- b) Risk measurement: In principle, each investment or transaction has at least one risk measurement tool such as sensitivity analysis, value at risk and stress testing, which can be applied to variables, such as fair market value and notional amounts, to quantify market risk.
- c) Risk monitoring and control: Each operation unit observes the risk limit regulation stated in its operating manual and regularly monitors risk control. The department of risk management is responsible for summarizing and reporting the Bank's overall market risk monitoring.
- d) Risk reporting: The risk management reports are classified as regular report, over-limit report and exception report. Regular reports are the management statements sent to the appropriate level in accordance with certain requirements. Over-limit reports are about situations in which risk limits are exceeded. Exception reports contain operation units' recommendations on how to meet temporary business needs.
- e) Risk mitigation: An operation unit may take certain action to reduce risk, such as hedging, investment combination adjustment, position adjustment, setting a break-even point, halting new transactions, etc.

3) Market risk management framework

- a) The Board of Directors: The Board of Directors, the Bank's top market risk supervisor, reviews risk management policies, operational risk limits and the design and change of the credit risk management framework.
- b) Asset/Liability Management Committee: The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division.
- c) Risk Management Division: The Risk Management Division is an independent unit in charge of the work related to three pillars of Basel and of the development of market risk management tools to assess and control the risk identified through setting risk limits.
- d) Operation units: Operation units perform daily market risk management work and report the market risk of investment positions and related information to the authorities.

4) Market risk measurement, control and reporting

- a) The market risk of the trading book financial instruments is measured in accordance with the fair market value or evaluation model and the profit and loss situation is evaluated regularly.
- b) The business units and the risk management division prepares management reports periodically and report to the appropriate level.
- c) The market risk management system combines the evaluation of the front and middle offices to generate information that will assist management in risk monitoring. Moreover, the system supports the capital accrual method being used by the Bank through generating internal and external reports for management's decision, making.

5) Market risk measurement of trading book

The Bank assesses the market risk exposure of the trading book in conformity with an assessment model using publicly quoted market prices or other measurement methods, including interest rate sensitivity analysis (DV01 value) and stress tests. The interest rate sensitivity analysis (DV01 value) refers to changes in market interest by 1 basis point (0.01%); the abnormal stress test system deals with market volatility and involves the regular estimation of possible losses (stress loss) and of the impact of stress test scenarios on major asset portfolios and the Bank's profit and loss.

6) Banking book market risk

a) Interest rate risk

The loans and deposits and other interest rate-related items in the Bank's balance sheet, including interest rate sensitive assets and interest rate sensitive liabilities, are measured from the viewpoint of earnings because there is a risk of decrease in earnings due to adverse changes in interest rates for loans and deposits.

The earnings viewpoint mainly emphasizes the impact of interest rates on earnings, especially short-term earnings. For 2013 and 2012, assuming all market risk indicators, except interest rates, remained constant, an interest rate increase or decrease by 100bps would result in an increase or decrease in profit before tax by \$186,077 thousand and \$154,874 thousand, respectively.

b) Exchange rate risk

The exchange rate risk of the banking book refers to the business operation of the International Banking Department of the Bank's Head Office and the operating funds in foreign currencies required by the ROC or local regulations; if there are adverse exchange rate changes, the income statement or cumulative translation adjustments in equity would be negatively affected.

The International Banking Department (IBD) of the Bank's Head Office is a going concern, and its operating funds are foreign currencies for business needs. However, the exchange rate risk on these funds is not significant because the percentage of the operating funds to the Bank's total assets is small, as shown by the immaterial ratio of the IBD's cumulative translation adjustment to the Banks' net worth.

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Each Foreign Currency (Thousands)/NT\$ (Thousands)

	December 31, 2013			
	Foreign	Exchange	New Taiwan	
	Currencies	Rate	Dollars	
Financial assets				
USD	\$ 1,875,249	29.95	\$ 56,163,708	
JPY	4,374,934	0.2852	1,247,897	
GBP	4,108	49.4984	203,339	
AUD	88,478	26.7184	2,363,990	
HKD	104,187	3.8626	402,435	
CAD	10,579	28.13	297,587	
CNY	289,469	4.9437	1,431,052	
SGD	1,887	23.6871	44,698	
ZAR	782,339	2.8624	2,239,398	
CHF	383	33.6554	12,890	
THB	106	0.913	97	
NZD	25,806	24.5979	634,774	
EUR	16,513	41.2831	681,708	
Financial liabilities				
USD	1,517,860	29.95	45,459,907	
JPY	4,552,288	0.2852	1,298,486	
GBP	4,094	49.4984	202,646	
AUD	88,386	26.7184	2,361,532	
HKD	103,774	3.8626	400,840	
CAD	10,596	28.13	298,065	
CNY	287,840	4.6797	1,347,005	
SGD	1,870	23.6871	44,295	
ZAR	782,213	2.8624	2,239,038	
CHF	350	33.6554	11,779	
NZD	25,836	24.5979	635,512	
EUR	15,435	41.2831	637,204	

	December 31, 2012			
	Foreign	Exchange	New Taiwan	
	Currencies	Rate	Dollars	
Financial assets				
USD	\$ 1,961,256	29.136	\$ 57,143,155	
JPY	4,797,220	0.3375	1,619,062	
GBP	4,685	46.9818	220,110	
AUD	55,611	30.2664	1,683,145	
HKD	121,956	3.7586	458,384	
CAD	8,785	29.2971	257,375	
CNY	19,557	4.6797	91,521	
SGD	595	23.8292	14,178	
ZAR	688,714	3.4289	2,361,531	
CHF	638	31.9334	20,374	
THB	149	0.9517	142	
NZD	31,906	23.9323	763,584	
EUR	15,093	38.6081	582,712	
Financial liabilities				
USD	1,612,062	29.136	46,969,038	
JPY	4,888,821	0.3375	1,649,977	
GBP	4,672	46.9818	219,499	
AUD	55,511	30.2664	1,680,118	
HKD	121,668	3.7586	457,303	
CAD	8,774	29.2971	257,053	
CNY	17,473	4.6797	81,768	
SGD	565	23.8292	13,463	
ZAR	689,108	3.4289	2,362,882	
CHF	614	31.9334	19,607	
NZD	31,968	23.9323	765,068	
EUR	18,129	38.6081	699,926	

	January 1, 2012			
	Foreign	Exchange	New Taiwan	
	Currencies	Rate	Dollars	
Financial assets				
USD	\$ 1,940,326	30.29	\$ 58,772,475	
JPY	5,363,695	0.3903	2,093,450	
GBP	5,857	46.7678	273,919	
AUD	40,754	30.7746	1,254,188	
HKD	96,228	3.8983	375,126	
CAD	7,916	29.6815	234,959	
CNY	-	-	-	
SGD	1,122	23.3179	26,163	
ZAR	398,710	3.7211	1,483,640	
CHF	805	32.2063	25,926	
THB	41	0.9595	39	
NZD	40,887	23.4142	957,336	
EUR	19,690	39.2104	772,053	
Financial liabilities				
USD	1,604,490	30.29	48,600,002	
JPY	5,910,282	0.3903	2,306,783	
GBP	5,846	46.7678	273,405	
AUD	40,802	30.7746	1,255,665	
HKD	96,229	3.8983	375,130	
CAD	8,113	29.6815	240,806	
CNY	-	-	-	
SGD	1,077	23.3179	25,113	
ZAR	398,817	3.7211	1,484,038	
CHF	780	32.2063	25,121	
NZD	40,892	23.4142	957,453	
EUR	19,646	39.2104	770,328	

46. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

Under the regulations set by the authorities, the Bank complies with the requirements set each year for the minimum consolidated capital adequacy ratios, including the common equity Tier I capital ratio; the Bank's leverage ratio is also in accordance with the requirements of the relevant authorities. These ratios are applied in accordance with the regulations announced by the authorities.

b. Capital assessment program

The capital ratios and leverage ratios are applied, analyzed, monitored and reported regularly, and are assigned to each business unit as the target capital adequacy ratios. The business units' compliance with the ratio requirements is tracked regularly, and remedial action is taken if the capital and leverage ratio requirements are not met.

(Unit: In Thousands of New Taiwan Dollars, %)

			Decembe	r 31, 2013
Items (Note 2)		Year	Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
	Common Equi	ity Tier 1 Ratio	\$ 23,562,741	\$ 23,436,734
Eligible capital	Other Tier 1 c	apital	-	-
Engible capital	Tier 2 capital		6,624,701	9,229,142
	Eligible capita	1	30,187,442	32,665,876
		Standard	190,948,228	199,611,322
	Credit risk	Internal rating-based approach	-	-
		Asset securitization	1,219,545	1,252,907
		Basic indicator approach	15,405,625	17,706,850
Risk-weighted assets	Operational risk	Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Montrot might	Standard	9,234,588	10,280,113
	Market risk	Internal model approach	-	-
	Total risk-wei	ghted assets	216,807,986	228,851,192
Capital adequacy rate (Note 1)			13.92	14.27
Ratio of common stockholders' equity to total assets			5.08	5.04
Ratio of Tier 1 c	apital to risk-w	eighted assets	10.87	10.24
Leverage ratio			4.47	4.38

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity Tier 1 capital + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of Common equity Tier 1 capital to risk-weighted assets = Common equity Tier 1 capital ÷ Risk-weighted assets.
- 5) Ratio of Other Tier 1 capital to risk-weighted assets = Other Tier 1 capital ÷ Risk-weighted assets.
- 6) Leverage ratio = Common equity Tier 1 capital ÷ Exposure Measurement

The Banking Law and related regulations require that the Bank maintain its unconsolidated and consolidated CARs at a minimum of 8%, the Tier 1 Capital Ratio at a minimum of 4.5% and the Common Equity Tier 1 Ratio at a minimum of 3.5%. In addition, if the Bank's CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

			Decembe	December 31, 2012	
Items (Note 2)		Year	Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio	
	Common Equ	ity Tier 1 Ratio	\$ 20,240,171	\$ 20,997,528	
Eligible capital	Other Tier 1 c	apital	-	-	
Eligible Capital	Tier 2 capital		4,391,214	4,915,689	
	Eligible capita	al	24,631,385	25,913,217	
		Standard	172,264,571	179,355,940	
	Credit risk	Internal rating-based approach	-	-	
		Asset securitization	2,173,343	2,210,034	
	Operational risk	Basic indicator approach	15,472,421	17,483,582	
Risk-weighted assets		Standard/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	N (= v1 = -4 vi = 1 =	Standard	6,945,775	7,249,375	
	Market risk	Internal model approach	-	-	
	Total risk-wei	ghted assets	196,856,110	206,298,931	
Capital adequacy	y rate (Note 1)		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	n stockholders'	equity to total assets	4.93	4.88	
Leverage ratio	_		5.06	5.20	

			January	1, 2012	
Items		Year	Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio	
	Common Equ	ity Tier 1 Ratio	\$ 15,534,886	\$ 16,252,529	
Eligible capital	Other Tier 1 c	apital	-	-	
Eligible Capital	Tier 2 capital		5,245,841	5,757,287	
	Eligible capita	1	20,780,727	22,009,816	
		Standard	157,020,298	164,071,544	
	Credit risk	Internal rating based approach	-	-	
		Asset securitization	-	37,186	
		Basic indicator approach	15,633,843	17,361,014	
Risk-weighted assets	Operational risk	Standard/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standard	5,666,525	5,790,138	
		Internal model approach	-	-	
	Total risk-wei	ghted assets	178,320,666	187,259,882	
Capital adequacy	y rate (Note 1)		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 commo	n stockholders'	equity to total assets	4.14	4.10	
Leverage ratio			4.12	4.26	

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

- 1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.
- 5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.
- 6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.
- 7) Ratio of common stock to total assets = Common stock ÷ Total assets.
- 8) Leverage ratio = Tier 1 capital ÷ Adjusted average assets (average assets minus goodwill, unamortized loss from the sale of nonperforming loans, and items to be subtracted from Tier 1 capital which are covered by the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

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

Union Bank of Taiwan

- a. Credit risk
 - 1) Asset quality

See Table 3.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	December 31, 2013							
Rank (Note 1)	Company Name	Credit Extension Balance	% to Net Asset Value					
1	Company B - other financial intermediation	\$ 2,167,788	7.63					
2	Company O - financial intermediation	1,658,000	5.83					
3	Company K - real estate development	1,455,000	5.12					
4	Group F - manufacture of chemical material	1,453,022	5.11					
5	Group U - real estate development	1,133,140	3.99					
6	Company Z - real estate development	820,000	2.88					
7	Company D - real estate development	707,330	2.49					
8	Company H - retail sale of other food and beverages	600,800	2.11					
9	Company L - telephone and cellular phone manufacturing	599,000	2.11					
10	Company G - renting and leasing of other transport	588,750	2.07					
	equipment							

(In Thousands of New Taiwan Dollars, %)

	December 31, 2012						
Rank (Note 1)	Company Name	Credit Extension Balance	% to Net Asset Value				
1	Group U - real estate development	\$ 2,408,700	9.63				
2	Group A - real estate development	2,306,916	9.23				
3	Company N - real estate development	2,119,000	8.47				
4	Company B - other financial intermediation	2,044,926	8.18				
5	Group F - manufacture of chemical material	1,960,864	7.84				
6	Group X - retail sale of other food and beverages	1,501,908	6.01				
7	Company D - real estate development	1,181,000	4.72				
8	Company E - real estate development	1,152,420	4.61				
9	Company Z - real estate development	820,000	3.28				
10	Company O - financial intermediation	688,000	2.75				

(In Thousands of New Taiwan Dollars, %)

	January 1, 2012							
Rank (Note 1)	Company Name	Credit Extension Balance	% to Net Asset Value					
1	Group A - real estate development	\$ 2,602,304	11.36					
2	Company D - real estate development	2,411,150	10.52					
3	Group U - real estate development	2,397,075	10.46					
4	Company N - real estate development	2,072,000	9.04					
5	Group C - real estate development	1,724,612	7.53					
6	Group X - retail sale of other food and beverages	1,638,163	7.15					
7	Company T - real estate development	924,800	4.04					
8	Company Z - real estate development	820,000	3.58					
9	Company K - real estate development	579,736	2.53					
10	Company H - retail sale of other food and beverages	553,800	2.42					

b. Market risk

Interest Rate Sensitivity (Note 1) December 31, 2013

(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 (Note 2)	\$ 310,119,147	\$ 4,874,228	\$ 9,110,013	\$ 19,943,749	\$ 344,047,137
Interest rate-sensitive liabilities (Note 2)	159,009,333	122,146,689	52,011,556	16,946,983	350,114,561
Interest rate-sensitive gap (Note 3)	151,109,814	(117,272,461)	(42,901,543)	2,996,766	(6,067,424)
Net worth					19,305,784
Ratio of interest rate-sensitive assets to liabilities (Note 4)					98.27%
Ratio of interest rate sensitivity gap to	o net worth				(31.43%)

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 (Note 2)	\$ 285,236,204	\$ 4,234,624	\$ 11,034,045	\$ 21,536,626	\$ 322,050,499
Interest rate-sensitive liabilities (Note 2)	168,682,395	104,566,385	45,123,288	9,436,810	327,808,878
Interest rate-sensitive gap (Note 3)	116,553,809	(100,322,761)	(34,089,243)	12,099,816	(5,758,379)
Net worth					
Ratio of interest rate-sensitive assets to liabilities (Note 4)					98.24%
Ratio of interest rate sensitivity gap to	o net worth				(37.66%)

January 1, 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 (Note 2)	\$ 275,141,613	\$ 6,125,053	\$ 10,107,582	\$ 20,086,084	\$ 311,460,332	
Interest rate-sensitive liabilities (Note 2)	248,327,221	11,622,163	33,659,561	17,370,392	310,979,337	
Interest rate-sensitive gap (Note 3)	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 (Note 4)						
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 Bank's head office and branches (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 (in New Taiwan dollars).

Interest Rate Sensitivity (Note 1) December 31, 2013

(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 (Note 2)	\$ 203,657	\$ 54,156	\$ 81,256	\$ 1,648,049	\$ 1,987,118	
Interest rate-sensitive liabilities (Note 2)	1,029,522	413,099	245,649	-	1,688,270	
Interest rate-sensitive gap (Note 3)	(825,865)	(358,943)	358,943) (164,393) 1,648,049			
Net worth					344,770	
Ratio of interest rate-sensitive assets to liabilities (Note 4)						
Ratio of interest rate sensitivity gap to	net worth				86.68%	

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 (Note 2)	\$ 600,787	\$ 225,589	\$ 702,778	\$ 571,266	\$ 2,100,420	
Interest rate-sensitive liabilities (Note 2)	1,225,443	384,610	215,731	-	1,825,784	
Interest rate-sensitive gap (Note 3)	(624,656)	(159,021)	487,047	571,266	274,636	
Net worth						
Ratio of interest rate-sensitive assets to liabilities (Note 4)						
Ratio of interest rate sensitivity gap to	net worth				80.85%	

January 1, 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 (Note 2)	\$ 103,477	\$ 22,434	\$ 1,377	\$ 1,568,448	\$ 1,695,736	
Interest rate-sensitive liabilities (Note 2)	1,272,769	350,168	149,773	446	1,773,156	
Interest rate-sensitive gap (Note 3)	(1,169,292)	(1,169,292) (327,734) (148,396) 1,568,002				
Net worth					318,843	
Ratio of interest rate-sensitive assets to liabilities (Note 4)						
Ratio of interest rate sensitivity gap to	net worth				(24.28%)	

- Note 1: The above amounts included only U.S. dollar amounts held by the Bank's head office, domestic branches, OBU and overseas branches and excluded 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 (in U.S. dollars)

c. Liquidity risk

1) Profitability

(%)

	Items	Year Ended December 31, 2013	Year Ended December 31, 2012
Return on total assets	Before income tax	0.79	0.75
Return on total assets	After income tax	0.68	0.65
Datum on aquity	Before income tax	12.50	12.73
Return on equity	After income tax	10.74	11.00
Net income ratio		33.82	35.41

- Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets
- Note 2: Return on equity = Income before (after) income tax \div Average equity
- Note 3: Net income ratio = Income after income $tax \div Total$ net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2013 and 2012.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (Note) December 31, 2013

(In Thousands of New Taiwan Dollars)

		Remaining Period to Maturity							
	Total	1-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year			
Main capital inflow on									
maturity	\$ 376,406,219	\$ 121,158,363	\$ 17,247,970	\$ 32,611,679	\$ 52,610,070	\$ 152,778,137			
Main capital outflow on									
maturity	433,976,847	42,714,593	37,825,509	45,500,635	93,957,585	213,978,525			
Gap	(57,570,628)	78,443,770	(20,577,539)	(12,888,956)	(41,347,515)	(61,200,388)			

December 31, 2012

(In Thousands of New Taiwan Dollars)

		Remaining Period to Maturity							
	Total	1-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	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)			

January 1, 2012

(In Thousands of New Taiwan Dollars)

			Remaining Period to Maturity							
	Total	1-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year				
Main capital inflow on maturity	\$ 344,234,261	\$ 101,950,941	\$ 35,083,536	\$ 19,263,322	\$ 47,643,645	\$ 140,292,817				
Main capital outflow on maturity	390,799,219	45,524,553	36,244,152	44,824,337	99,245,067	164,961,110				
Gap	(46,564,958)	56,426,388	(1,160,616)	(25,561,015)	(51,601,422)	(24,668,293)				

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

Maturity Analysis of Assets and Liabilities (Note) December 31, 2013

(In Thousands of U.S. Dollars)

			Remai	ining Period to M	aturity					
	Total	1-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year				
Main capital inflow on										
maturity	\$ 2,509,198	\$ 638,507	\$ 29,290	\$ 55,522	\$ 91,098	\$ 1,694,781				
Main capital outflow on										
maturity	2,509,115	983,840	405,951	527,642	246,912	344,770				
Gap	83	(345,333)	(376,661)	(472,120)	(155,814)	1,350,011				

December 31, 2012

(In Thousands of U.S. Dollars)

			Remai	Remaining Period to Maturity						
	Total	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				

January 1, 2012

(In Thousands of U.S. Dollars)

			Remai	ning Period to M	laturity				
	Total	1-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year			
Main capital inflow on									
maturity	\$ 1,750,579	\$ 112,250	\$ 16,357	\$ 22,487	\$ 1,379	\$ 1,598,106			
Main capital 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 value of the 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).

48. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and its investees:

- a. Related information of significant transactions and investees and (b) proportionate share in investees:
 - 1) Financing provided: The Bank not applicable; investee none
 - 2) Endorsement/guarantee provided: The Bank not applicable; investee Table 1 (attached)
 - 3) Marketable securities held: The Bank not applicable; investee Table 2 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 10% of the paid-in capital (the Bank disclosed its investments accumulated or disposed of): None
 - 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least \$5 million: None
 - 8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: None
 - 9) Sale of nonperforming loans: None
 - 10) Asset securitization under the "Regulations for Financial Asset Securitization": None

- 11) Other significant transactions which may affect the decisions of users of financial reports: Table 3 (attached)
- 12) Names, locations and other information of investees on which the Bank exercises significant influence: Table 4 (attached)

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

49. INFORMATION SEGMENTS

The Bank has disclosed the segment information in the consolidated financial statements. Thus, no segment information is presented herein.

50. FIRST-TIME ADOPTION OF IFRSs

a. Effects of transition to IFRSs

The Bank's financial statements for the year ended January 1, 2012 were the first IFRS financial statements. The effect of the transition to IFRSs on the Bank's balance sheets and statements of comprehensive income is stated as follows:

1) Reconciliation of the balance sheet as of January 1, 2012

Other assets				ffect of Trans	sition to	IFRSs				
Account	DOCCAAD				D.,	totion		IEDC _o		
Due from the Central Bank and call loans to other banks Financial assets at fair value through profit or los Securities purchased under resell agreements Securities sold under repurchase agreements Securities sold		Amount	•				Account		Note	
Due from the Central Bank and call loans to other banks Financial assets at fair value through profit or los Securities purchased under resell agreements Securities sold under repurchase agreements Securities sold	Cash and cash equivalents	\$ 8390 592	\$	_	\$	_	\$ 8390592	Cash and cash equivalents		
Financial assets at fair value through profit or loss Securities purchased under reseal agreements Securities purchased under reseal Span Spa	Due from the Central Bank and		Ψ	-	Ψ		,-,-,-	Due from the Central Bank and		
Agreements		8,167,543		-		-	8,167,543			
Discounts and loans, net 190,679,993 145,259 - 145,259 150,079,993 145,259 150,079,993 145,259 150,079,993 150		251,626		-		-	251,626			
Discounts and loans, net 190,679,993 - - 190,679,993 Discounts and loans, net Available-for-sale financial 7,516,896 - - 7,516,896 Available-for-sale financial assets 1,313,015 -	Receivables, net	15,086,661				-	15,103,685	Receivables, net	5) h)	
Available-for-sale financial assets assets, net Held-to-maturity financial assets				145,259		-	145,259	Current tax assets		
Assets.net Held-to-maturity financial assets 1,313,015 1,114,794 - 1,350,587 2,465,381 Equity investments - equity method 1,114,794 - 1,350,587 2,465,381 Equity investments - equity method 1,350,587 1,350,597 1,350,587 1,350,587 1,350,587 1,350,587 1,350,587 1,350,587 1,350,587 1,350,587 1,350,587 1,350,587 1,35	Discounts and loans, net	190,679,993		-		-	190,679,993	Discounts and loans, net		
Equity investments - equity method 1,114,794 - 1,350,587 2,465,381 Equity investments - equity method 1,476,004 4,7876,004 Other financial assets 5, a)		7,516,896		-		-	7,516,896	Available-for-sale financial assets		
method	Held-to-maturity financial assets	1,313,015		-		-	1,313,015	Held-to-maturity financial assets		
Property and equipment, net 17,956,701 Intangible assets 2,119,709 138,523 - 2,258,232 Intangible assets 5, g 3,511,118 118,893 3,630,011 Deferred income tax assets 5, b), 5, c 5, d), 5, d 5, d), 5, d 5, d), 5, d		1,114,794		-		1,350,587	2,465,381			
Intangible assets	Other financial assets	47,876,004		-		-	47,876,004	Other financial assets	5) a)	
Securities sold under repurchase agreements Securities sold under securities sold under repurchase agreements Securities sold under securities sold under repurchase agreements Securities sold under repurchase agreements Securities sold under repurcha	Property and equipment, net	7,956,701		-		-	7,956,701	Property and equipment, net		
Other assets	Intangible assets	2,119,709		138,523		-	2,258,232	Intangible assets	5) g)	
Total S 397,725,452 S 527,081 S 1,469,480 S 399,722,013 Total	-		:	3,511,118		118,893	3,630,011	Deferred income tax assets	5) b), 5) c), 5) d), 5) f 5) i)	
Due to the Central Bank and other banks Financial liabilities at fair value through profit or loss Securities sold under repurchase agreements Securitie	Other assets	5,470,149	(3,284,843)		-	2,185,306	Other assets	5) c), 5) f), 5) g), 5) h 5) i)	
other banks Financial liabilities at fair value through profit or loss 33,852 through profit or loss - 33,852 through profit or loss Financial liabilities at fair value through profit or loss Securities sold under repurchase agreements 34,522,173 - - 34,522,173 Securities sold under repurchase agreements Accounts payable 5,847,302 45,334 83,252 5,975,888 Accounts payable 5) b), 5) h Deposits 322,756,910 - - 116,164 Current tax liabilities Deposits 322,756,910 - - 4,890,000 Bank debentures Other financial liabilities 242,930 - - 242,930 Other financial liabilities Other financial liabilities 242,930 - 48,600 Bank debentures - 5) c), 5) d Other liabilities 242,930 - 48,600 Provision 5) c), 5) d Other liabilities 35,583 - 365,583 - 5) c), 50 d Other liabilities 375,60,789 527,081 51,857 376,809,727 Total li	Total	\$ 397,725,452	\$	527,081	\$	1,469,480	\$ 399,722,013	Total		
through profit or loss Securities sold under repurchase agreements Accounts payable 5,847,302 45,334 83,252 5,975,888 Accounts payable 5,847,302 45,334 83,252 5,975,888 Accounts payable 5,847,302 45,334 83,252 5,975,888 Accounts payable 5,b, 5) h Deposits 322,756,910 - 116,164 Current tax liabilities Deposits 4,890,000 - 2 44,890,000 Bank debentures Other financial liabilities 242,930 - 242,930 Other financial liabilities - 210,387 438,605 648,992 Provision 5) c), 5) d Total liabilities 375,760,789 527,081 521,857 376,809,727 Total liabilities Total liabilities 375,760,789 527,081 521,857 376,809,727 Total liabilities Capital stuplus 33,811 - (1,398) 32,413 Capital sturplus 5,et		\$ 7,007,256	\$	-	\$	-	\$ 7,007,256			
Securities sold under repurchase agreements 34,522,173		33,852		-		-	33,852			
Deposits 116,164 - 116,164 Current tax liabilities Deposits 322,756,910 - 322,756,910 Deposits Bank debentures 4,890,000 - - 4,890,000 Bank debentures 242,930 Other financial liabilities 242,930 Cher financial liabilities 242,930 Other financial liabilities 242,930 Other financial liabilities 5) c), 5) d 365,583 361,583 365,583 51,000 50	Securities sold under repurchase	34,522,173		-		-	34,522,173	Securities sold under repurchase		
Deposits 322,756,910 - - 322,756,910 Deposits Bank debentures 4,890,000 - - 4,890,000 Bank debentures Other financial liabilities 242,930 Other financial liabilities Provision 5) c), 5) d - 210,387 438,605 648,992 Provision 5) c), 5) d Other liabilities 365,583 - 365,583 5) i) Other liabilities 460,366 (210,387) - 249,979 Other liabilities Total liabilities 375,760,789 527,081 521,857 376,809,727 Total liabilities Capital strock 19,484,996 - - 19,484,996 Capital strock Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	Accounts payable	5,847,302		45,334		83,252	5,975,888	Accounts payable	5) b), 5) h)	
Bank debentures 4,890,000 Other financial liabilities - - 4,890,000 Other financial liabilities - - 242,930 Other financial liabilities Other financial liabilities 210,387 438,605 648,992 off 648,992 off 648,992 off 648,992 off 648,992 off 648,992 off 649,992 off 649,993 off 649	* *			116,164		-	116,164	Current tax liabilities		
Other financial liabilities 242,930 - 242,930 Other financial liabilities - 210,387 438,605 648,992 Provision 5) c), 5) d Other liabilities 365,583 - 365,583 0ther liabilities 0ther liabilities 249,979 Other liabilities Total liabilities 375,760,789 527,081 51,857 376,809,727 Total liabilities Capital stock 19,484,996 - - 19,484,996 Capital stock Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	Deposits	322,756,910		-		-	322,756,910	Deposits		
- 210,387 438,605 648,992 Provision 5) c), 5) d 365,583 - 365,583 5) i) Other liabilities 460,366 (210,387) - 249,979 Other liabilities Total liabilities 375,760,789 527,081 521,857 376,809,727 Total liabilities Capital stock 19,484,996 - 19,484,996 Capital stock Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	Bank debentures	4,890,000		-		-	4,890,000	Bank debentures		
Other liabilities 365,583 - 365,583 5) i) Other liabilities 460,366 (210,387) - 249,979 Other liabilities Total liabilities 375,760,789 527,081 521,857 376,809,727 Total liabilities Capital stock 19,484,996 - - 19,484,996 Capital stock Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	Other financial liabilities	242,930		-		-	242,930	Other financial liabilities		
Other liabilities 365,583 - 365,583 5) i) Other liabilities 460,366 (210,387) - 249,979 Other liabilities Total liabilities 375,760,789 527,081 521,857 376,809,727 Total liabilities Capital stock 19,484,996 - - 19,484,996 Capital stock Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	-			210,387		438,605	648,992	Provision	5) c), 5) d)	
Total liabilities 375,760,789 527,081 521,857 376,809,727 Total liabilities Capital stock 19,484,996 - - 19,484,996 Capital stock Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)										
Capital stock 19,484,996 - - 19,484,996 Capital stock Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	Other liabilities	460,366	_	(210,387)	_		249,979	Other liabilities		
Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	Total liabilities					521,857		Total liabilities		
Capital surplus 33,811 - (1,398) 32,413 Capital surplus 5) e)	Capital stock	19,484,996		_			19,484,996	Capital stock		
				=		(1,398)			5) e)	
		,-				,				

			Effe	ect of Trans	sition to	IFRSs				
ROC GAAP			Recognition and Measurement		Pre	esentation		IFRSs		
Account		Amount	Diffe	rence	Difference		Account		Amount	Note
Retained earnings									Retained earnings	
Legal reserve	\$	352,978	\$	-	\$	-	\$	352,978	Legal reserve	
Special reserve		874,473		-		-		874,473	Special reserve	
Unappropriated earnings		1,826,615		-		507,984		2,334,599	Unappropriated earnings	5) j)
Unrealized gain or loss on financial instruments		(167,173)		-		-		(167,173)	Unrealized losses on available-for-sale financial assets	
Cumulative translation adjustments		(263,522)		-		263,522		-	Exchange differences in translation of financial statements of foreign operations	5) j)
Net loss not recognized as pension cost		(177,515)		-		177,515		-	Net loss not recognized as pension cost	5) c)
Total stockholders' equity	_	21,964,663		-	_	947,623		22,912,286	Total equity	
Γotal	\$ 3	397,725,452	\$	527.081	\$	1.469.480	\$	399.722.013	Total	

(Concluded)

2) Reconciliation of the statement of financial position as of December 31, 2012

		Effect of Trans Recognition and	sition to IF KSS			
ROC GAAP		Measurement	Presentation		IFRSs	
Account	Amount	Difference	Difference	Account	Amount	Note
Cash and cash equivalents	\$ 9.570.257	\$ -	\$ -	\$ 9.570.257	Cash and cash equivalents	
Due from the Central Bank and call loans to other banks	75,378,914	-	-	75,378,914	Due from the Central Bank and call loans to other banks	
Financial assets at fair value through profit or loss	8,094,894	-	-	8,094,894	Financial assets at fair value through profit or loss	
Securities purchased under resell agreements	21,764,953	=		21,764,953	Securities purchased under resell agreements	
Receivables, net	14,124,123	123,972 100,493		14,248,095 100,493	Receivables, net Current tax assets	5) h)
Discounts and loans, net	201,833,438	100,193	_	201,833,438	Discounts and loans, net	
Available-for-sale financial assets, net	10,237,156	-	-	10,237,156	Available-for-sale financial assets	
Held-to-maturity financial assets	811,872	_	_	811,872	Held-to-maturity financial assets	
Equity investments - equity method	1,182,415	-	1,360,753	2,543,168	Equity investments - equity method	
Others financial assets	49,485,900	-	-	49,485,900	Others financial assets	5) a)
Property and equipment, net	7,713,002	-	-	7,713,002	Property and equipment, net	
Intangible assets	1,985,307	97,431	-	2,082,738	Intangible assets	5) g)
		3,175,415	129,802	3,305,217	Deferred income tax assets	5) c), 5) f), 5) h), 5) i)
Other assets	5,094,057	(2,939,282)		2,154,775	Other assets	5) b), 5) c), 5) d), 5) f), 5) h), 5) i)
Total	<u>\$ 407,276,288</u>	\$ 558,029	<u>\$ 1,490,555</u>	\$ 409,324,872	Total	
Due to the Central Bank and other banks	\$ 5,115,437	\$ -	\$ -	\$ 5,115,437	Due to the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	27,417	-	-	27,417	Financial liabilities at fair value through profit or loss	
Securities sold under repurchase agreements	28,289,349	=	-	28,289,349	Securities sold under repurchase agreement	
Accounts payable	6,270,703	223,649	86,958	6,581,310	Accounts payable	5) b), 5) h)
Deposits	337,399,136	-	-	337,399,136	Deposits	
Bank debentures	5,200,000	-	-	5,2000,00	Bank debentures	
Other financial liabilities	306,392	-	-	306,392	Other financial liabilities	
-	=	324,154	471,631	795,785	Provision	5) c), 5) d)
04 11 1 112	504.440	334,380	-	334,380	Od. P. Ling	5) i)
Other liabilities	594,449	(324,154)	- FEO EOO	270,295	Other liabilities	
Total liabilities Capital stock	383,202,883 20,264,396	558,029	558,589	384,319,501 20,264,396	Total liabilities Capital stock	
Capital stock Capital surplus	33,811	-	(1,398)	32,413	Capital stock Capital surplus	5) e)
Retained earnings	55,611	-	(1,576)	32,413	Retained earnings	3)0)
Legal reserve	900,963	_	_	900,963	Legal reserve	
Special reserve	608,209	_	_	608,209	Special reserve	
Unappropriated earnings	2,621,624	-	443,211	3,064,835	Unappropriated earnings	5) a), 5) b), 5) c), 5) d), 5) f), 5) j)
Other equity					Other equity	-/-/,-/]/
Unrealized gain or loss on financial instruments	413,490	-	-	413,490	Unrealized losses on available-for-sale financial	
Cumulative translation adjustments	(564,137)	-	285,202	(278,935)	assets Exchange differences in translation of financial statements of foreign	5) a), 5) j)
Net loss not recognized as pension cost	(204,951)	-	204,951	-	operations Net loss not recognized as pension cost	5) c)
Total stockholders' equity	24,073,405		931,966	25,005,371	Total equity	
Total	\$ 407,276,288	\$ 558,029	\$ 1,490,555	\$ 409,324,872	Total	

3) Reconciliation of the statement of comprehensive income for the year ended December 31, 2012

		Effect of Tran	sition to IFRSs			
		Recognition and				
ROC GAAP		Measurement	Presentation		IFRSs	
Account	Amount	Difference	Difference	Account	Amount	Note
Net interest	\$ 5,711,080	\$ 23.712	\$ -	\$ 5,734,792	Net interest	5) d)
Service fee income, net	1,387,977	-	· -	1,387,977	Service fee income, net	-,-,
Gains on financial assets and liabilities at fair value through profit or loss	523,656	-	-	523,656	Gains on financial assets and liabilities at fair value through profit or loss	
Realized loss on available-for -sale financial assets and liabilities	(87,540)	-	-	(87,540)	Realized loss on available-for- sale financial assets and liabilities	
Investment income (loss) recognized under equity method	162,717	-	(11,770)	150,947	Share of the profit or loss of associates and joint ventures accounted for using the equity method	
Foreign exchange gain (loss), net	(267,240)	-	-	(267,240)	Foreign exchange gain (loss), net	5) a)
Loss from asset impairment, net	(174,402)	=	=	(174,402)	Loss from asset impairment	
Realized income from financial assets carried at cost	51,204	-	-	51,204	Realized income from financial assets carried at cost	
Gain on disposal of collaterals assumed, net	28,849	-	-	28,849	Gain on disposal of collaterals assumed, net	
Securities brokerage fee revenues, net	54,530	=	=	54,530	Securities brokerage fee revenue, net	
Other noninterest net gains	38,782			38,782	Other noninterest net gains	
Total net revenues	7,429,613	23,712	(11,770)	7,441,555	Total net revenues	
Allowance for doubtful accounts	(647,490)			(647,490)	Allowance for doubtful accounts	
Operating expense Personnel expenses	2,425,680	23,712	(21,998)	2,427,394	Operating expense Personnel expenses	5) b), 5) c), 5) d)
Depreciation and amortization	259,551	_	_	259,551	Depreciation and amortization	5) f)
Others	2,351,676	-	-	2,351,676	Others	-,-,
Total operating expenses	5,036,907	23,712	(21,998)	5,038,621	Total operating expenses	
Income before income tax	3,040,196	=	10,228	3,050,424	Income before income tax	
Income tax expense	426,615		(10,909)	415,706	Income tax expense	5) b), 5) c), 5) d), 5) f)
Net income	<u>\$ 2,613,581</u>	<u>\$</u>	21,137	2,634,718	Consolidated net income Other comprehensive income	
				(362,188)	Exchange differences in translation of financial statements of foreign operations	
				567,745	Unrealized gains on available-for-sale financial assets	
				34,855	Share of other comprehensive income of subsidiaries, associates and joint ventures	
				(86,166)	Actuarial gains and losses on defined benefit plans	5) c), 5) d)
				61,572	Income tax relating to the components of other comprehensive income	
				<u>\$ 2,850,536</u>	Total comprehensive income for the period	

4) Exemptions

Except for optional exemptions and mandatory exceptions to retrospective application provided under the IFRSs, the Bank retrospectively applied the Regulations to prepare its opening balance sheet at the date of transition, January 1, 2012. The major optional exemptions the Bank elected to use are summarized as follows:

Investments in subsidiaries and associates

On adopting the IFRSs, the Bank elected to measure the investments in subsidiaries and associates acquired before the IFRS transition date at the same carrying amounts recognized in the financial statements as of and for the year December 31, 2011, which were prepared using ROC GAAP.

Deemed cost

On January 1, 2012, the date of transition to IFRSs, the subsidiary of the Bank (Union Finance and Leasing International Corporation) elected to use the fair value of investment properties as their deemed costs. The fair value was arrived at on the basis of a valuation carried out on the IFRS transition date by a professional appraiser, a certified ROC real estate appraiser who met the required conditions for making the appraisal and who was independent, i.e., not a related party of the Bank. The valuation was arrived at on the basis of market prices for similar properties and by using the income approach and sales comparison approach under the discounted cash flow model as

required by the "Regulations on Real Estate Appraisal." For the discounted cash flow method, the cap was \$3,160,225 thousand, and the Bank's weighted average cost of capital of 0.96% was the discount rate.

The impact of electing the fair value of investment properties as their deemed cost on January 1, 2012 is shown as follows:

Carrying amount (in accordance with ROC GAAP) Fair value (deemed cost under IFRSs)	\$ 1,596,950 <u>2,806,616</u>
Amounts adjusted for investment properties	<u>\$ 1,209,666</u>
With adjustments to: Deferred tax liabilities Deferred tax assets Retained earnings	\$ 4,198 (129,824)
	\$ 1.209.666

Employee benefits

On the IFRS transition date, the Bank recognized in retained earnings all unrecognized cumulative actuarial gain and loss related to employee benefit plans. In addition, the Bank elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

Cumulative translation differences

The Bank elected to reset the cumulative translation differences to zero at the date of transition to IFRSs and adjusted retained earnings accordingly. Gains or losses on the subsequent disposal of any foreign operations will exclude the translation differences that arose before the date of transition to IFRSs.

The impact of this exemption is described in the following item "5. Reconciliations on transition to IFRSs".

5) Significant reconciliations on the conversion to IFRSs

The Bank identified significant differences between the accounting policy under ROC GAAP and IFRS, which are summarized as follows:

a) Functional currency

Under ROC GAAP, many factors are simultaneously considered to determine functional currency. Under IAS 21 "The Effects of Changes in Foreign Exchange Rates," the factors for determining functional currency are classified into primary and secondary on the basis of management's weighing of the relative importance of these factors.

As of January 1, 2012 and December 31, 2012, the subsidiaries of the Bank (Union Capital (Cayman) Corp. and New Asian Ventures Ltd.) adjusted a nonmonetary items bacause of the change of the functional currency; thus, financial assets carried at cost increased by \$3,740 thousand and \$6,048 thousand, respectively. In addition, in 2012, cumulative translation adjustments increased by \$21,680 thousand and foreign exchange loss increased by \$19,372 thousand.

b) Employee benefits - short-term compensated absences

Under ROC GAAP, there is no specific accounting policy on short-term compensated absences. The short-term compensated absences are usually recognized as the vacation leaves are actually taken by the employees. On conversion to IFRSs, an entity should recognize the expected cost of short-term employee benefits as employees render services that increase their entitlement to these compensated absences.

To comply with IFRSs, the Bank adjusted the accounts as of December 31, 2012 and January 1, 2012 as follows: Accrued expenses increased by \$83,252 thousand and \$86,958 thousand, respectively; and deferred income tax assets increased by \$14,153 thousand and \$14,783 thousand, respectively. In addition, for the year ended December 31, 2012, salary expenses increased by \$3,706 thousand and income tax expenses decreased by \$630 thousand.

The subsidiaries of the Bank also adjusted the foregoing accounts as of December 31, 2012 and January 1, 2012, and investments accounted for by the equity method decreased by \$1,653 thousand and \$1,630 thousand, respectively. In addition, for the year ended December 31, 2012, investment income recognized under the equity method increased by \$23 thousand.

c) Employee benefits - actuarial gains and losses under the defined benefit plan

Under ROC GAAP, the unrecognized transitional net obligations that resulted from the first-time adoption of SFAS No. 18 - "Accounting for Pensions" are amortized on a straight-line basis over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. The amortization should be included in the net pension cost of the current year. However, the transition policies of IAS 19 "Employee Benefits" are not applicable. Thus, the effects of the unrecognized transitional net obligations should be recognized under the retained earnings immediately.

Under ROC GAAP, actuarial gains and losses are recognized by the corridor approach and amortized over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. On conversion to IFRSs, IAS 19 requires the actuarial gains and losses under the defined benefit plan to be immediately recognized under other comprehensive income. Actuarial gains and losses recognized under other comprehensive income should be presented under retained earnings in the equity statement, and they should not be reclassified to profit or loss in the subsequent period.

The Bank had revaluated their defined benefit plans in accordance with IAS 19. The Bank also adjusted the accounts as of December 31, 2012 and January 1, 2012 in accordance with IFRS 1, as follows: Provisions - accrued pension costs increased by \$437,468 thousand and \$470,203 thousand, respectively; net losses not recognized as pension cost decreased by \$177,515 thousand and \$204,951 thousand, respectively; and deferred income tax assets increased by \$104,547 thousand and \$114,776 thousand, respectively. In addition, for the year ended December 31, 2012, pension cost was decreased by \$25,689 thousand, actuary loss on the defined benefit plan increased by \$85,859 thousand, and income tax expense decreased by \$10,229 thousand.

The subsidiaries of the Bank also adjusted the foregoing accounts as of January 1, 2012 and December 31, 2012, and investments accounted for by the equity method increased by \$13,208 thousand and \$13,044 thousand, respectively. In addition, for 2012, the Bank's share of the other comprehensive income of associates and joint ventures decreased by \$420 thousand and the actuarial loss on the defined benefit plan decreased by \$256 thousand.

d) Employment benefit - preferential interest on employees' deposits

Under IAS 19 "Employee Benefits," the preferential rates for employees' deposits in excess of market rate should be treated as employee benefit.

Under IFRSs, if the preferential deposit interest rate that the Bank has offered to retired employees as stated in the employment contract exceeds the market interest rate, the excess will be regarded as retired employee benefits and thus should be included in the actuarial report. However, based on the amended Regulations Governing the Preparation of Financial Reports by Public Banks (the "Regulations"), the recognition of the excess preferential interests before retirement may be deferred to the time when employees confirm their retirement. The excess interests before retirement may be applied to the current accounting policy, which is to recognize relevant expenses under the accrual basis.

As of January 1, 2012 and December 31, 2012, the Bank applied actuarial valuation to preferential interest on retired employees' deposits in conformity with IAS 19 and the Regulations, and the employee benefit liabilities thus increased by \$1,137 thousand and \$1,428 thousand, respectively, and deferred income tax assets increased by \$193 thousand and \$243 thousand, respectively. For 2012, there were decreases in employment benefit expense by \$15 thousand; in the actuarial loss on defined benefit plan by \$307 thousand; and in the income tax expense by \$50 thousand. In addition, an interest expense of \$23,712 thousand for employees' deposits (including active and retired employees) was reclassified to employment benefit expense.

e) Capital surplus - long-term equity investments adjustment

Under "The FAQs of adopting IFRSs" issued by the Taiwan Stock Exchange, the capital surplus items to which IFRSs, the Bank Law and the Ministry of Economic Affairs's directives are not applicable should be adjusted on the date of transition. Thus, the Bank reclassified capital surplus - long-term equity investments to retained earnings.

The Bank decreased capital surplus - long-term equity investments as of January 1, 2012 and December 31, 2012 by \$1,398 thousand each

f) Investment properties

As of January 1, 2012 and December 31, 2012, a subsidiary of the Bank used fair value as deemed cost; thus, the investments accounted for by the equity method amounts by \$1,335,292 thousand and \$1,343,291 thousand. For 2012, the Bank's share of other comprehensive income of associates and joint ventures increased by \$7,999 thousand.

g) Deferred expenses

Under ROC GAAP, the deferred expenses are included in other assets. Under IFRSs, deferred expenses are reclassified to property and equipment, intangible assets, prepaid expenses or long-term prepaid expenses depending on the nature of these expenses.

As of January 1, 2012 and December 31, 2012, the other assets reclassified to intangible assets had amounted to \$138,523 thousand and \$97,431 thousand.

h) Securities brokerage accounts

Under ROC GAAP, securities brokerage accounts are presented at net value and the remaining debit or credit balance is disclosed in the balance sheet. However, on transition to IFRSs, debit and credit balances of the securities brokerage account should be classified in accordance with their nature.

As of January 1, 2012 and December 31, 2012, the debit amounts of securities brokerage that were reclassified to net receivables were \$810 thousand and \$1,243 thousand, respectively, those reclassified to accounts receivable were \$162,283 thousand and \$224,465 thousand, respectively; those reclassified to accounts payable were \$161,498 thousand and \$223,649 thousand, respectively; and those reclassified to other assets were \$25 thousand and \$427 thousand, respectively.

i) Deferred income tax assets or liabilities

Under ROC GAAP, the deferred income tax assets and liabilities of the same taxable entity should be offset and shown in the financial statements at their net value. On conversion to IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities against each other in the balance sheet only if: a) the entity has a legally enforceable right to offset current income tax assets against current income tax liabilities; and b) the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current income tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously.

As of January 1, 2012, the Bank reclassified \$3,145,535 thousand from other assets to deferred income tax assets amounting to \$3,511,118 thousand and deferred income tax liabilities amounting to \$365,583 thousand, respectively. As of December 31, 2012, the Bank reclassified \$2,841,035 thousand from other assets to deferred income tax assets amounting to \$3,175,415 thousand and deferred income tax liabilities amounting to \$334,380 thousand, respectively.

j) Cumulative translation differences

The Bank elected to use the exemption that allowed the resetting of cumulative translation differences to zero at the date of transition to IFRSs, resulting in a decrease in unappropriated earnings by \$263,522 thousand. As of December 31, 2012, the cumulative translation adjustments increased by \$285,202 thousand because of this exemption.

January 1, 2012

k) Unappropriated earnings adjustment

Unappropriated earnings (ROC GAAP)	\$ 1,826,615
Adjustments of unappropriated earnings	
Employee benefits - short-term compensated absences	(70,753)
Employee benefits - actuarial losses under defined benefit plans	(491,996)
Employee benefits - unrecognized transitional net obligations	(5,232)
Employee benefits - provision of preferential interest on retired	
employees' deposits	(943)
Capital surplus - long-term equity investments	1,398
Investment properties with fair value as deemed cost	1,335,292
Retroactive adjustment of functional currency change	3,740
Cumulative translation adjustments	(263,522)
Unappropriated earnings adjustment	507,984
Unappropriated earnings (IFRSs)	<u>\$ 2,334,599</u>

6) Significant adjustments in the statement of cash flows

Under ROC GAAP, interest paid/received and dividends received are normally accounted for under operating activities, while dividends paid, under financing activities. The statements of cash flows, which should be prepared by the indirect method, should present the amounts paid as interests. Under IAS 7 "Statement of Cash Flows," interest and dividends paid/received should be disclosed separately and should be classified consistently under operating, investing or financing activities in each period. Therefore, for the year ended December 31, 2012, interest received of \$9,149,080 thousand, interest paid of \$3,483,393 thousand and dividends received of \$170,665 thousand were presented separately.

Except for the above mentioned, there is no significant difference between IFRS and ROC GAAP in the presentation of statements of cash flows.

UNION BANK OF TAIWAN

ENDORSEMENTS/GUARANTEES PROVIDED YEAR ENDED DECEMBER 31, 2013 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

		Guaranteed Party						Ratio of	
No.	Endorsement/Guarantee Provider	Name	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Accumulated Endorsement/ Guarantee to Net Equity Per the Latest Financial Statements	Guarantee Amount
1	Union Capital (Cayman) Corp.	Union Finance and Leasing International Corporation	Subsidiary	\$ 498,160	\$ 400,000	\$ 400,000	\$ 400,000	1.41	\$ 498,160

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD

DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars and Foreign Currency, Unless Stated Otherwise)

		Issuer's			December 3	31, 2013		Note
Holding Company	Type and Issuer/Name of Marketable Securities	Relationship	Financial Statement Account	Shares/Piece/		Percentage	Market Value	
from Company	Type and issuer/i tame of intaractable securities	with Holding	I municial Statement Account		Carrying Value		or Net Asset	
		Company		(In Thousands)		Ownership	Value	
Union Finance and Leasing	Beneficial certificates							
International Corporation	Union Advantage Global FI Portfolio Fund		Available-for-sale financial assets	8,979	\$ 133,251		\$ 133,251	Note 4
International Corporation	Union Advantage Global F1 Portiono Fund	-	Avanable-for-sale financial assets	8,979	\$ 155,251	-	\$ 155,251	Note 4
	Stock							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	872	9,020	0.06	9,020	Note 4
	China Chemical Corporation	-	Available-for-sale financial assets	356	8,358	0.11	8,358	Note 4
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	496,516	100.00	496,516	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	74,614	100.00	74,614	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33	7,009	Note 1
	Yung Li Securities Co., Ltd.	-	Unquoted equity instruments	1	166	0.99	114	Note 1
	Schmidt Technology Co., Ltd.	-	Unquoted equity instruments	63	-	0.29	589	Note 1
	D. I							
	Bond Taiwan Life Insurance Co., Ltd.		Financial assets designated at fair value through profit or loss	500	73,133		73,133	
	Taiwan Life Insurance Co., Ltd.	-	rmancial assets designated at fair value through profit of loss	300	/5,155	-	75,155	-
Union Information	Stock							
Technology Corporation	I-Sunny Construction & Development Co., Ltd.	_	Available-for-sale financial assets	_	_	_	_	Note 4
	ELTA Technology Co., Ltd.	_	Unquoted equity instruments	2,382	23,240	15.88	33,234	Note 3
	eBizServe, Inc.	_	Unquoted equity instruments	236	654	0.58	439	Note 3
	Xiehe E-commerce Co., Ltd.	-	Unquoted equity instruments	169	-	7.99	-	Note 3
Union Finance International	Bond							
(HK) Limited	HBOS Capital Funding LP	-	Available-for-sale financial assets	905	US\$ 889	-	US\$ 889	-
	Penn West Energy	-	Available-for-sale financial assets	29	US\$ 292	-	US\$ 292	-
	Stock							
	ING Group N.V.	_	Available-for-sale financial assets	33	US\$ 838	_	US\$ 838	Note 4
	WMI Holdings	_	Available-for-sale financial assets	18	US\$ 50	_	US\$ 50	Note 4
	Apple Computer Inc.	_	Available-for-sale financial assets	3	US\$ 1,635	_	US\$ 1,635	Note 4
	Merck & Co., Inc.	_	Financial assets at fair value through profit or loss	12	US\$ 586	_	US\$ 586	Note 4
	EBAY Inc.	_	Financial assets at fair value through profit or loss	14	US\$ 750	_	US\$ 750	Note 4
	Penn West Energy	-	Financial assets at fair value through profit or loss	119	US\$ 995	-	US\$ 995	Note 4
New Asian Ventures Ltd.	Stock							
	Grace T.H.W. Holding Limited	-	Unquoted equity instruments	1,667	64,320	0.74	US\$ 2,159	Note 2

(Continued)

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. ERA Communications Co., Ltd., Yung Li Securities Co., Ltd. and Schmidt Technology Co., Ltd. the audited statements of stockholders' equity as of December 31, 2013.
 - b. New Asian Ventures Ltd. and Union Capital (Cayman) Corp. the audited statements of stockholders' equity as of December 31, 2013.
- Note 2: New Asian Ventures Ltd.:
 - Grace T.H.W. Holding Limited unaudited statements of stockholders' equity as of December 31, 2013.
- 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., eBizServe, Inc. and Xiehe E-commerce Co., Ltd. unaudited statements of stockholders' equity as of December 31, 2013.
- 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, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012 (In Thousands of New Taiwan Dollars, %)

	Period]	December 31, 2013	3	
	Items		Nonperforming Loans (Note 1)		Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$	558,269	\$ 64,031,114	0.87%	\$ 1,125,846	194.43%
Corporate banking	Unsecured			20,794	39,655,589	0.05%	Ψ 1,120,010	174.4370
	Housing mortgage (Note 4)			49,239	110,096,437	0.04%	1,195,443	2,427.84%
	Cash card		4,863		163,041	2.98%	9,280	190.83%
Consumer banking	Small scale credit loans (Note 5)			19,482	6,996,991	0.28%	75,974	389.97%
	Other (Note 6)	Secured		21,204	9,170,904	0.23%	117,893	540.37%
		Unsecured	613		1,686,694	0.04%	117,075	340.37%
Deposits and remittances	Certificates of dep	oosit		-	866,258	-	-	-
Loan				674,464	232,667,028	0.29%	2,524,436	374.29%
			Re	performing eceivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			\$	40,506	\$ 11,695,827	0.35%	\$ 133,906	330.58%
Accounts receivable	factored without re	course (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 consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.
- Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored 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.

Not reported as nonperforming loans or nonperforming receivables

Items	December 31, 2013						
Types		Reported as forming Loans		Reported as ming Receivables			
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$	143,389	\$	608,707			
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)		67,241		992,419			
Total		210,630		1.601.126			

- 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).

(Continued)

	Period		December 31, 2012							January 1, 2012				
	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 Unsecured		\$ 323,397 19,728	\$ 58,108,625 27,054,953	0.56% 0.07%	\$ 925,882	269.84%	\$ 400,865 36,301	\$ 55,975,921 23,550,123	0.72% 0.15%	\$ 772,445	176.69%		
	Housing mortgag	e (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%		
Consumer	Cash card Small scale credit	t loans (Note 5)	10,207 27,511	231,347 5,273,628	4.41% 0.52%	19,912 57,334	195.08% 208.40%	29,672 41,041	352,450 3,136,699	8.42% 1.31%	53,017 47,569	178.68% 115.91%		
banking	Other (Note 6)	Secured	13,461	8,062,332	0.17%	100,529	700.60%	9,894	7,333,885	0.13%	83,381	701.09%		
Deposits and remittances	Certificates of de	Unsecured posit	888	1,184,432 917,622	0.07%	-	-	1,999	1,250,498 1,103,089	0.16%	-	-		
Loan			Nonperforming Receivables (Note 1)	204,059,353 Receivables	0.23% Ratio of Nonperforming Receivables (Note 2)	2,225,915 Allowance for Possible Losses	466.48% Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	192,606,784 Receivables	0.36% Ratio of Nonperforming Receivables (Note 2)	1,926,791 Allowance for Possible Losses	278.54% Coverage Ratio (Note 3)		
Credit cards Accounts recei (Note 7)	ivable factored with	out recourse	\$ 42,387	\$ 11,716,689	0.36%	\$ 155,540 -	366.95%	\$ 36,116	\$ 13,374,834	0.27%	\$ 298,653	826.93%		

- 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 consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.
- Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored 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.

Not reported as nonperforming loans or nonperforming receivables

Items		December	r 31, 20	12	January 1, 2012			
Types	Not	Reported as performing Loans	Non	Reported as performing eceivables	Reported as performing 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		

(Continued)

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 ON AND PROPORTIONATE SHARE IN INVESTEES YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars)

							Proportionate SI	nare of the Bank ar	nd Its Subsidiaries	in Investees	
			Percentage		Investm	ent Gain			Total		
Investee Company	Location Main Businesses and Products		of Ownership	Carrying Value	(Loss)		Shares (Thousands)	Pro Forma Shares (Note 2)	Shares (Thousands)	Percentage of Ownership	Note
Financial-related											
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	\$ 2,255,382	\$ 10	67,319	70,000		70,000	100.00	Note 1
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	79,679		(2,103)	30,000		30,000	99.99	Note 1
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00	138,406		10,722	13,097		13,097	43.65	Note 1
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00	27,037		14,014	500		500	100.00	Note 1
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99	12,908		7,994	1,000		1,000	99.99	Note 1
Taiwan Asset Management Corporation	Taipei	Purchase, sale and management of nonperforming loans from financial institutions	0.57	75,000		-	7,500		7,500	0.57	
Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	50,000		-	5,000		5,000	2.94	
Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53	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		-	386		386	6.44	
Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	2,113		-	160		160	0.81	
Financial Information Service Co., Ltd.	Taipei	Information service	2.39	118,782		-	10,774		10,774	2.39	
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	13,916		-	815		815	0.25	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	71,250		-	5,790		5,790	2.04	
Nonfinancial-related			40.00	7.1.00.1		400	• 000		• • • • •	40.00	
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	54,294		(196)	2,000		2,000	40.00	Note 1
Fu Hua Venture Corporation	Taipei	Investments	5.00	16,452		-	1,650		1,650	5.00	
Jiao Da Venture Corporation	Taipei	Investment	5.00	637		-	134		134	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		-	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		-	278		278	0.76	

Note 1: The investees' information shown above is based on audited financial reports as of December 31, 2013.

Note 2: Pro forma shares are considered if equity securities - convertible bonds, warrants, etc. - or derivative contracts such as stock options, are converted to shares.