

## Contents



Report Overview	02	
A Sincere Tribute to Mr. Jeffrey L. S. Koo	04	
A Message from the Chairman	06	
CSR Philosophy	10	
Stakeholder Engagement	16	
Corporate Social Responsibility Performance	22	
About CTBC	28	
Corporate Governance	40	
Customer Care	56	
Employee Care	68	
Environmental Protection	86	
Community Services	100	
Vision for the Future	118	
Appendix	120	



## Report Overview

### Report Scope and Limits

This report gives an account of the performance figures and achievements in the areas of the governance, society, and the environment for CTBC Holdings and its subsidiaries in 2012 (1/1/2012 – 12/31/2012). We specifically include the performance of some overseas bank branches in the area of social welfare promotion. Environmental protection figures regarding our greenhouse gas inventory include not only our headquarters located in the Songshou Building in the Xinyi District and the Yongji Building which houses the Retail Banking and the Information Technology Infrastructure Service Divisions, but also all our bank branches and our regional centers in Taiwan. Calculations of relevant statistics are based on an international general index. All financial figures are calculated in New Taiwan Dollars and have been verified by certified public accountants.

### Report Compilation Principles

This report was written in accordance with the guidelines and structure set forth in the Global Reporting Initiative's G3.1 reporting guidelines (GRI G3.1) and includes GRI comparison tables. The content includes About CTBC,

Corporate Governance, Customer Care, Employee Relations, Environmental Protection, and Community Involvement sections. Reports will continue to be issued annually and relevant content will be available for viewing or downloading in the CSR section of CTBC's website.

### Report Certification

This report was evaluated by a third-party certification institute, the British Standard Institution (BSI), which reviewed the materiality, inclusiveness, and responsiveness of this report based on AA1000 standards and GRI G3.1. All of the information disclosed met the GRI G3.1 A+ Application Level. Please refer to the appendix for the BSI inspection report statement.

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CTBC Financial Holding Co., Ltd. (hereinafter referred to as CTBC) has always lived up to our brand values of being caring, professional, and trustworthy in our relationship with every member of society. Meeting our Corporate Social Responsibility (CSR) is an obligation that we take extremely seriously. CTBC issued our first CSR Report in 2007 and again in each of the six years since then. Through this public, transparent report, we hope to share with the public about our CSR philosophy and show our stakeholders the concrete steps we have taken to fulfill CSR. At the same time, this report is also a tool for self-examination and evaluation. By reviewing our progress, CTBC can improve our structure and operations to mold CTBC into an even better corporate citizen and striving forward in our ultimate goal of making society a better place.



A SINCERE TRIBUTE TO  
**Jeffrey L. S. Koo**  
1933-2012

*He was more than an inspiration,  
a giant in our island's financial industry.*

*He contributed tirelessly to promoting and expanding  
Taiwan's economic and trade diplomacy.*

*Devoted his life to making Taiwan a world class financial center;  
Chinatrust the leader of industry innovation and best practices.*

*Created and embodied the spirit of our company motto -  
We are family.*

*Served not only as our teacher but also as father of this  
great Chinatrust family.*

*Always our Chairman, eternally remembered, forever grateful.*



## A Message from the Chairman

2012 was a year of global economic and financial turmoil. Impacted by the European debt crisis and America's fiscal cliff, Europe's key economies implemented a loose monetary policy. Taiwan's Directorate General of Budget, Accounting and Statistics continued to revise the economic growth rate forecasts downward in 2012. Already facing this difficult operating environment, CTBC was dealt another blow in December when our leader and founder, Mr. Jeffrey L. S. Koo, who for half a century piloted the company forward, passed away. After a resolution of the Board of Directors, I officially assumed the post of Chairman. Although the Company faced internal and external difficulties and challenges, with the hard work of all our employees, we were still able to achieve outstanding results. We continue to live up to the high expectations of late Chairman Koo as we push forward and aggressively seek growth opportunities.

Although I have just recently become Chairman, I have already served at CTBC for over 29 years. In my

time working with Chairman Koo, I learned his spirit of perseverance and hard work. He impressed upon me the need to strive forward until we reach our goal. CTBC's financial products and services have therefore always had a leadership role in the market and we have become an industry model. Last year was a very important year for CTBC. We acquired what is now named CTBC Life Insurance to increase the Group's insurance premium income market share and drive overall profits. Benefitting from recent cross-Strait financial policy reforms, in March we established our Shanghai bank branch to provide outstanding financial services to Taiwanese expatriates and ethnic Chinese from around the world residing in Shanghai. In order to provide better financial services to small and medium-sized enterprises just starting up in China, we invested to establish the lease financing company CTBC International Co., Ltd. In addition, to meet customer asset allocation needs, we obtained a 98.6% stake in Truswell Investment Trust, which was renamed CTBC

Chairman  
Wen Long Yen

A handwritten signature in black ink, appearing to read 'W. Long Yen', written over a teal background.

Securities Investment Trust Company. Our financial services are now even more comprehensive and these new additions form a key part of our CTBC operational footprint. Not only can we provide customers with the most outstanding, diverse financial products, with the close cooperation of our various subsidiaries, we can fully exercise the resulting synergies to provide customers with comprehensive financial services and maximize value for our shareholders.

CTBC is committed to growing our various financial operations in order to create the greatest benefit for our stakeholders, and we recognize that corporate social responsibility will be key to our success. Only if we protect our environment, care for our neighbors, nurture our employees, and make our society a better place, can CTBC succeed over the long term. Support for public welfare projects has always been an important part of how we fulfill CSR. Each year, CTBC invests resources to train our employees, enabling them to discover themselves through their work. At the same time, we also hope our employees can apply this same spirit to giving back to society. In addition to our annual Light up a Life charity fundraising campaign and our long-running public service holiday program, CTBC also set up a dedicated Debt Management Team, internal

charity sales, a donation program, and a disadvantaged child sponsorship program, all of which have contributed to building a culture of philanthropy within the Taiwanese business community and have made our society more harmonious.

Today, environmental protection has become a pressing concern and a key aspect of achieving sustainable operations. In 2009, we began performing a greenhouse gas inventory and now all 147 bank branches in Taiwan are also surveyed as part of the inventory. We have become the first financial institution to receive ISO 50001 energy management certification and have committed to reducing our energy usage by 5% within the next three years. In addition to our systematic approach to internal energy use reduction, CTBC also considers environmental issues in our financial services business as well. In December of last year, the Board of Directors approved adoption of a loan policy that supports green energy and environmental protection-related enterprises. From 2009 through 2012, CTBC implemented our green procurement policy, which garnered the Company the Outstanding Enterprise Award each of those years as part of Taipei City's Green Procurement Plan for Private Enterprises and Organizations.

CTBC is confident we can become the best financial institution in the world serving ethnic Chinese clientele. As we look to the future, we will continue to be caring, professional, and trustworthy while providing more convenient service channels and more diverse financial services to protect and build client wealth. At the same time as we create profit, CTBC also works earnestly to fulfill our corporate social responsibility. By strengthening the CTBC brand, operations management, employee training, and products and services, we can play an important role in the country and the community and achieve our goal of being Taiwan Champion, Asia Leader, and one of the world's great companies.





## CSR Philosophy

Ever since CTBC's forerunner, China Securities Investment Corp., was established in 1966, we could see that the focus of development in the financial sector was on service. During that era, Taiwan's economy was poised to take off and CTBC played an important role in that miraculous journey. In 2002, spurred by government policies, CTBC transformed itself into a financial holding company providing a wider variety of financial services. As a corporate citizen, CTBC remains committed to our brand promise, "We are family", and becoming the best financial institution for ethnic Chinese around the world. We pledge to work towards sustainable corporate development, be professional and trustworthy, give back to community, and protect the environment to build a better life for the society.

We have held fast to this commitment for the last half century. To respond to new challenges to CTBC and society brought about by changing times, our products and services must change too. We also must continually improve our core capabilities and products and work to build the common interests shared by society and our stakeholders. For many years, we have been committed to implementing our corporate social responsibility as we work to achieve sustainable development. In 2013, CTBC held internal discussions at all levels, which included convening the CSR Taskforce Committee, executive-level meetings, and inviting outside experts. Through these talks, we gathered a variety of information and were able to formulate our future CSR direction: long-term development with sustainable operations in mind, and giving back to society as a model of CSR.

### CTBC CSR Policy

Corporate Governance	integrity, honest management, worthy of our stakeholders' trust
Customer Relations	professional leadership, friendly service, protect and build client wealth
Employee Care	workplace equality, learning and growth, care for employee physical and mental fitness
Environmental Protection	sustainable development, environmental protection, implement energy saving and eco-friendly practices to help our Earth
Community Involvement	dedicated care, contributing to society, creating a better world

A nearly half century ago, CTBC's predecessor China Securities Investment Corp. was established. More than a decade ago, CTBC evolved into a financial holding company. Although the company has gone through many changes, CTBC's customers know that "We are family". For many years, through constant innovation and development we have worked to achieve CSR and sustainable operations and actively link up with the world. An enterprise can only meet the expectations of the public and its customers through hard work and creating value. Working in coordination with our customers around the world, we hope to create well-being and happiness for the society we serve.

Good intentions are not enough; successful CSR implementation requires a comprehensive series of mechanisms and an outstanding team. CTBC began issuing a Corporate Social Responsibility Report in 2007 and since then we have faithfully disclosed the results of our CSR implementation annually. In 2011, we established a CSR Unit and implemented a strategic policy that places related operations within the hands of dedicated CSR personnel. In 2012, we established the interdepartmental CSR Taskforce Committee, which coordinates all of CTBC's internal units and comprehensively executes CSR-related policy. This year, we developed a comprehensive CSR policy drawing upon our many years of experience implementing CSR and consulting international organizations' activities and trends. Over these past six years, our gradual approach to CSR implementation has enabled us to build the strong foundation necessary to becoming the best corporate citizen in the eyes of the public.

### Establishing a CSR Unit

Throughout our many years in business, CTBC has experienced the changes from the passage of time and new eras and recognized how CSR has played a key role in some of those changes. The definition of CSR varies around the world and can include interactions with stakeholders, climate change, and assisting disadvantaged groups. Implementing CSR requires more specific organization and management. Therefore, in 2011 the CTBC established the CSR Unit under the purview of the General Administration Department. The CSR Unit, responsible for formulating and implementing the company-wide CSR strategy, has six full-time employees and 32 who focus on CSR as part

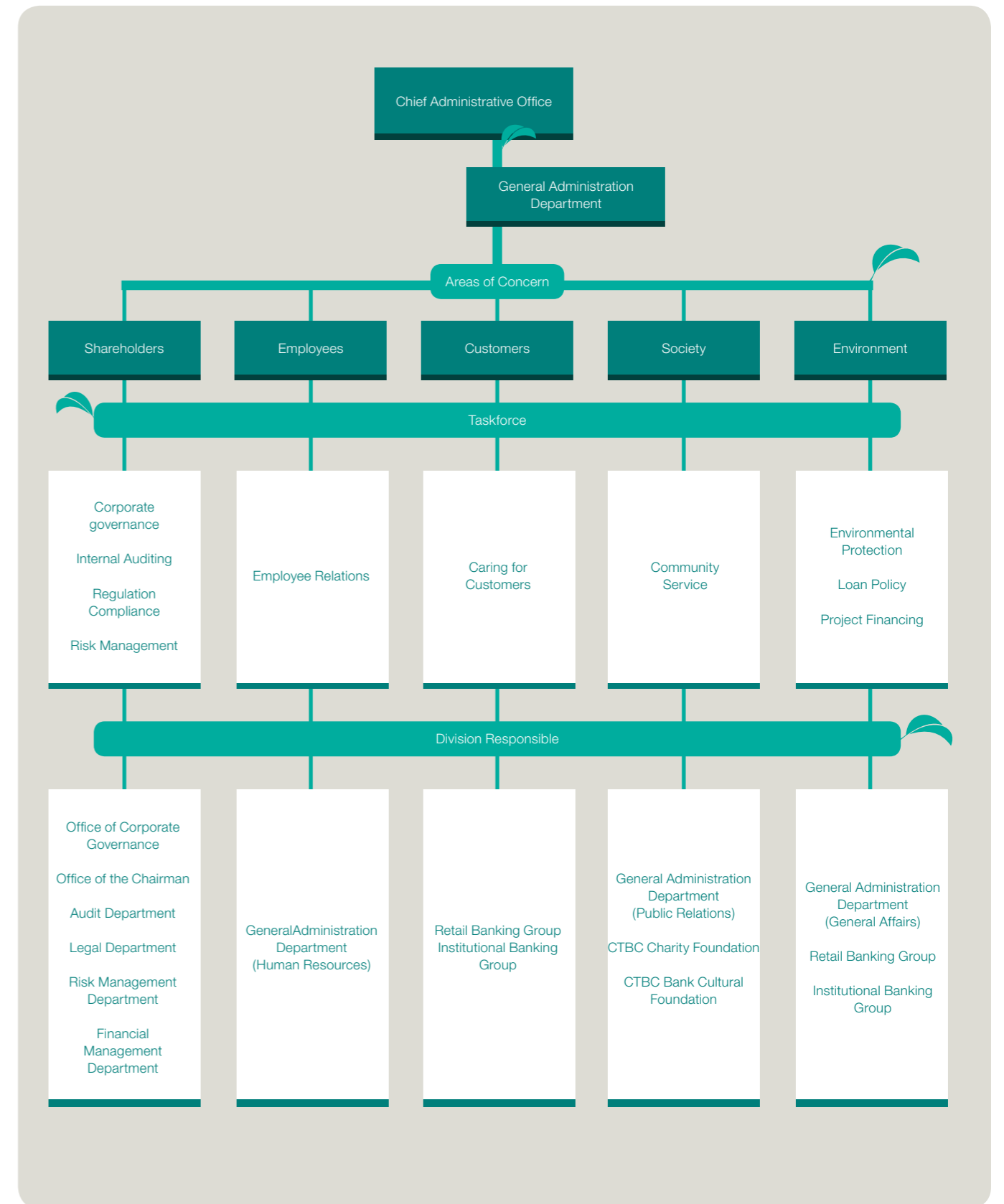
of their duties (14 corporate governance employees, 4 customer care employees, 5 employee relations employees, 4 environmental protection employees, and 5 community involvement employees). At the highest level, the CSR Division reports to the Chief Administrative Officer, while important issues are reported directly to the Board of Directors for resolution.

### Establishing the CSR Taskforce Committee

In order to achieve better results in our CSR efforts, in 2012 CTBC established the interdepartmental CSR Taskforce Committee, led by the Chief Administrative Officer, to approach CSR from the corporate governance perspective. The General Administration Department serves as coordinator integrating a variety of operational units, including human resources, corporate governance, legal, auditing, general affairs, risk management, and retail and institutional finance, plus CTBC subsidiaries such as CTBC Bank, Securities, insurance, Venture Capital, and the Taiwan Lottery. The department identifies and coordinates with units that come in contact with or could potentially impact stakeholders.

The CSR Taskforce Committee divides up CSR-related work, such as corporate governance, customer care, employee care, environmental protection, and community involvement to ensure that each area of CSR is implemented top-down within the organization and performed more efficiently and thoroughly. The committee also reviews the results of such implementation and resolves any resulting difficulties.

### The CTBC CSR Taskforce Committee



### Operation of the CSR Taskforce Committee

Each quarter, the CSR Taskforce Committee collates all CSR related information from company management and presents it during their working meeting. After discussion by Committee members, issues are brought to the Chief Administrative Officer for review, then reported to the Executive Committee, which discusses and considers the issue. Based on the issues at hand, the Executive Committee revises existing policy or drafts new policy, which is announced and implemented after approval by the Board of Directors.

CSR policies approved by the Board of Directors in 2012:

- [CTBC Holding CSR Code of Practice](#)  
In order to educate our entire workforce on the importance of CSR and ensure we implement it in our

everyday work, CTBC felt it was necessary to codify our CSR policy. Only then could we realize CSR-a core value of CTBC-and devote ourselves to achieving sustainable operations. In February 2012, the Board of Directors passed the CTBC Holding CSR Code of Practice, which outlines our policy towards CSR and serves as a compass for both CTBC and our subsidiaries to follow.

- [CTBC Holding Credit Risk Management Policy](#)  
The potential impact of climate change on operations is significant and the problem of global warming has become more severe in the past 10 years. CTBC's Financial Credit Risk Guidelines and Enforcement Rules written in 2007 therefore stipulate that loan applicants must be evaluated to determine whether their operations generate waste water, emissions,

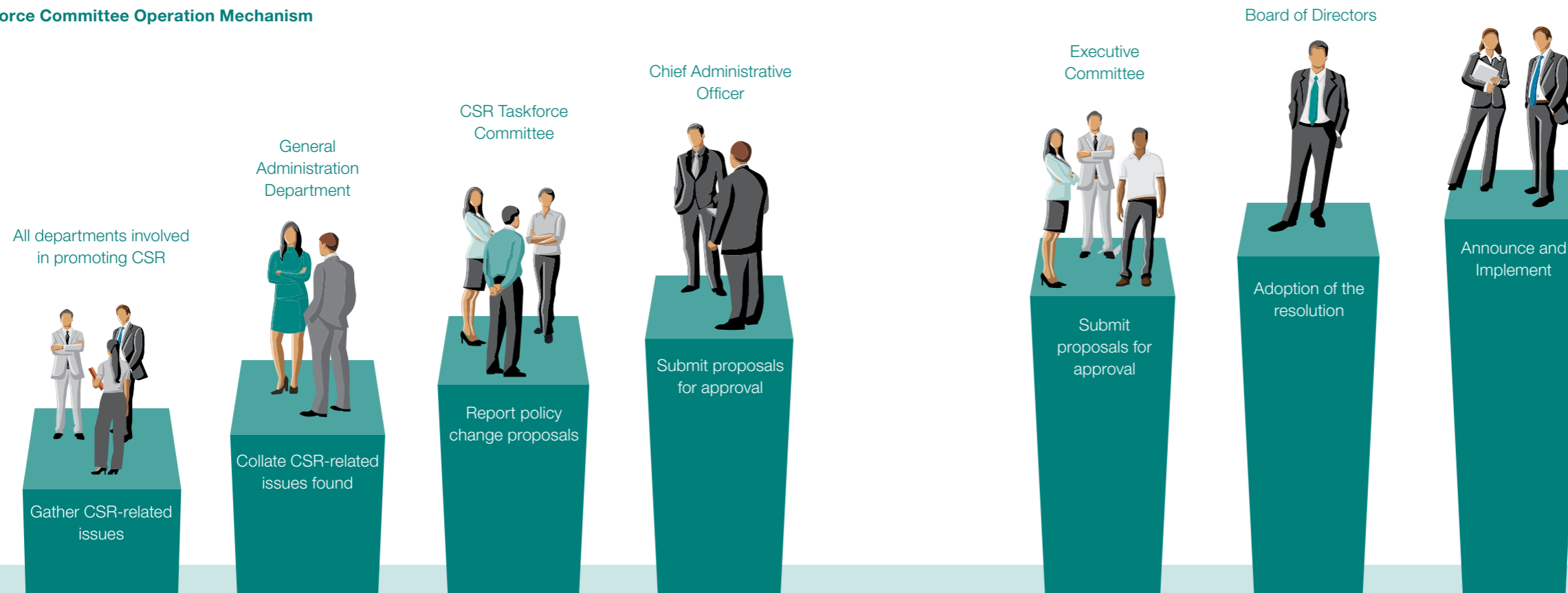
or other types of environmental pollution. We hope that if we can control it at the source, such pollution can be prevented. In December 2012, the Board of Directors passed the amended CTBC Credit Risk Management Policy, which adjusted CTBC's credit policy to support green energy and environmental protection-related enterprises. CTBC can expand business while also implementing our CSR Philosophy. In 2012, CTBC arranged five syndicated loans for solar photovoltaic energy industry firms totaling NT\$8.48 billion, which is an increase of NT\$330 million over 2011.

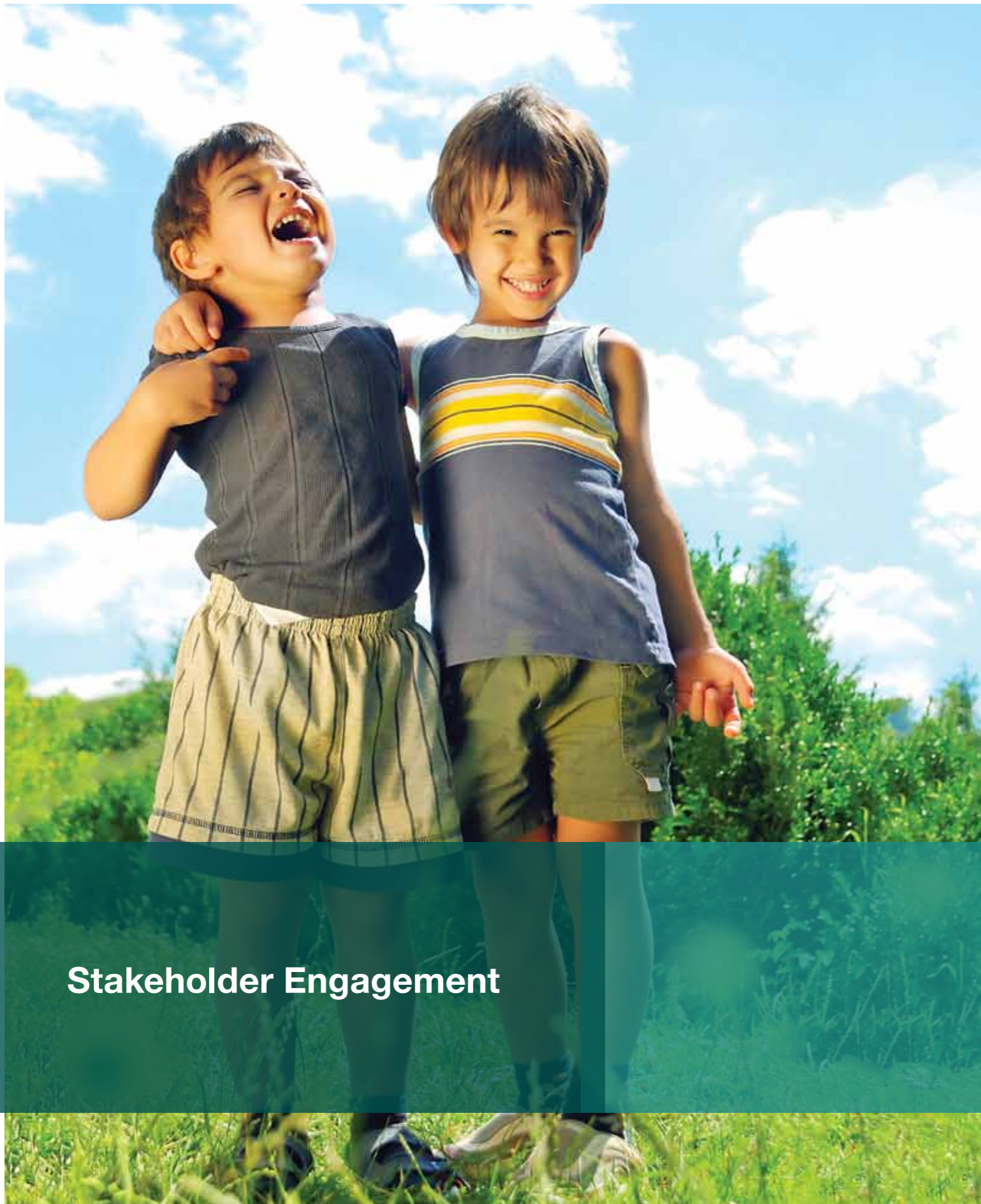
Through the adoption of the above two policies, CTBC is once again propelling our CSR to the next level. Since establishing the CSR Unit in 2011, dedicated personnel are now responsible for implementing the Company's CSR-

related work. At the same time, however, what was once only the concern of a few departments and employees has gradually become a common goal that all units must work to achieve. In 2012, we also established the CSR Taskforce Committee, which coordinates the capabilities and staff of various units to integrate CSR into the Company's overall governance system.

In 2012, we implemented comprehensive CSR policies to protect our shareholders, customers, employees, the environment, and society. We expect that CTBC and our various departments and subsidiaries can all become models of corporate social responsibility, while each of our employees also practices CSR. Through the efforts of all at CTBC, we assist every corner of Taiwan's society and spread the word about CSR to the community to build a happier society.

### CSR Taskforce Committee Operation Mechanism





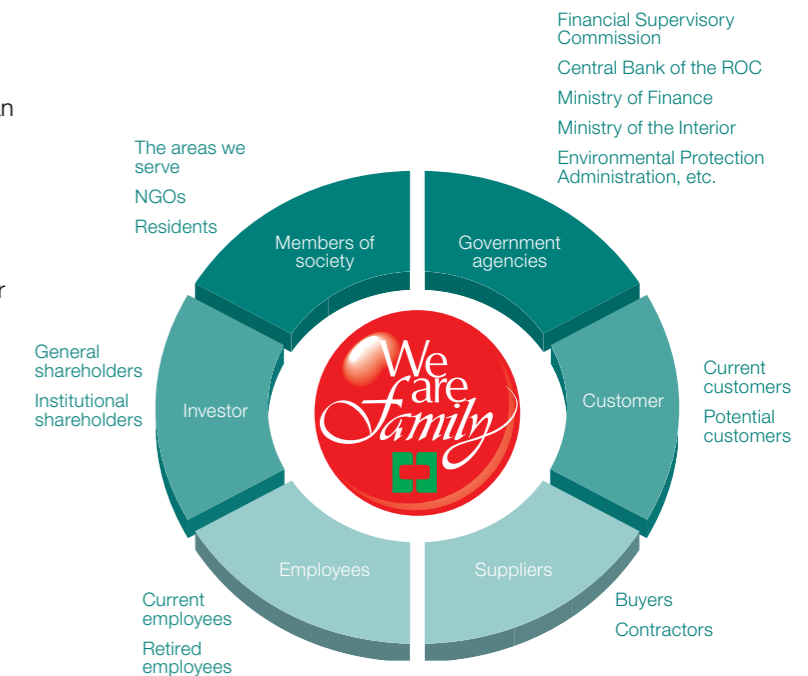
## Stakeholder Engagement

In Taiwan, the financial services industry is taking on an ever more diverse role. As financial products and services have become more varied, CTBC has increased frequent contact with members of the public. During our interaction with bank customers, it is clear that our goals have become more and more aligned. CTBC continues to pursue sustainable operations and to create the greatest value for our stakeholders, while also endeavoring to improve the society we serve.

### Identifying Stakeholders

As companies take on a variety of roles, their operations can impact a range of diverse entities, groups, and individuals, which are generally referred to as “stakeholders”. Since we began issuing our CTBC Holding Co. Ltd. Corporate Social Responsibility Report in 2007, CTBC has been eager to hear reactions to our policies and humbly learn from these opinions and suggestions. Gradually we have been able to identify and classify our various stakeholders. We gather information from Taiwan and overseas and refer to the operations of outstanding foreign firms, while actively inviting outside experts to discuss their experiences with CSR. Together we also study how overseas financial firms implement CSR. CTBC listens to the opinions of our

suppliers and partners, to better understand the needs of our stakeholders. Through many years of discussion between CTBC internal management and external experts, we have divided CTBC’s stakeholders into six groups, which include investors, customers, employees, members of society, government agencies, and supplier.



As the financial services industry has launched a variety of convenient products and services, CTBC’s relationship with the public has grown closer day by day. In our position as Taiwan’s best banking brand, we have always been committed to achieving sustainable development. In the process of determining who our stakeholders are and our responsibilities to them, the CSR Taskforce Committee has identified several groups, which include: investors, customers, employees, members of society, government agencies, and suppliers. Each chapter of the report will address various CSR related topics relevant to each of these stakeholders.

Stakeholder	Primary responsibilities	Methods and channels of communication	Key issues
Investors	Information disclosure and transparency	<ol style="list-style-type: none"> <li>1. Release financial information on our website</li> <li>2. The dedicated investment information section of our website that provides a communication window for spokespersons and acting spokespersons, while providing information for institutional investor relations and stock information and a way for investors to contact CTBC.</li> <li>3. The annual shareholders meeting</li> <li>4. Monthly operational performance announcements</li> <li>5. Quarterly investor conferences to promote communication with investors.</li> </ol>	<ul style="list-style-type: none"> <li>Operating performance</li> <li>Risk management</li> <li>Corporate governance</li> <li>Regulation compliance</li> <li>Director independence and professionalism</li> <li>Information disclosure</li> <li>Shareholder equity</li> </ul>
Employees	Respect for human rights, fair treatment, promoting employee health	<ol style="list-style-type: none"> <li>1. Quarterly staff meetings are held to communicate company policies, performance, and vision with employees.</li> <li>2. Issuing an e-newsletter internally with the newly added "Company Matters" column in which top-level managers discuss the company's direction, management philosophy, workplace environment, and interpersonal communication.</li> <li>3. Establishing employee communication channels and complaint channels.</li> <li>4. Holding employee health lectures.</li> <li>5. Carrying out anonymous "Employee Satisfaction Surveys" and "Organization Climate Surveys".</li> </ol>	<ul style="list-style-type: none"> <li>Employee benefits</li> <li>Training and development</li> <li>Performance evaluations</li> <li>Workplace environment</li> <li>Human rights and equality</li> <li>Communication channels</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Providing convenient products and exceptional services</li> <li>Raising customer satisfaction</li> </ul>	<ol style="list-style-type: none"> <li>1. Setting up a Voice of Customer (VOC) platform to compile suggestions from customers via branch offices, extension organizations, and customer service centers.</li> <li>2. Setting up a free 24-hour customer service hotline, web calling, and a customer service Internet mailbox.</li> <li>3. Publishing e-newsletters and e-books.</li> <li>4. Carrying out customer satisfaction surveys.</li> <li>5. Holding wealth management briefings and health lectures.</li> </ol>	<ul style="list-style-type: none"> <li>Product risk</li> <li>Service quality</li> <li>Debt consultation</li> <li>Customer privacy</li> <li>Appeals channels</li> <li>Credit monitoring mechanism</li> </ul>
Members of Society NPOs NGOs	<ul style="list-style-type: none"> <li>Respect for local cultures</li> <li>Taking part in local philanthropic activities</li> </ul>	<ol style="list-style-type: none"> <li>1. Taking part in seminars</li> <li>2. Holding press conferences</li> <li>3. Sponsoring cultural, artistic, and performance events</li> <li>4. Holding related philanthropic activities</li> </ol>	<ul style="list-style-type: none"> <li>Helping the community</li> <li>Charitable donations</li> <li>Promotion of culture and the Arts</li> <li>Green architecture</li> </ul>
Government Agencies	<ul style="list-style-type: none"> <li>Following regulations and paying taxes</li> <li>Helping to publicize and implement new regulations</li> <li>Helping to publicize and implement new regulations</li> </ul>	<ol style="list-style-type: none"> <li>1. Cooperating with competent authorities' oversight and auditing by providing relevant information.</li> <li>2. Adhering to the policies of competent authorities, taking part in relevant meetings, providing suggestions, and promoting financial knowledge and education.</li> </ol>	<ul style="list-style-type: none"> <li>Energy use and carbon emissions reduction</li> <li>Greenhouse gas inventory</li> </ul>
Suppliers	Fair procurement	<ol style="list-style-type: none"> <li>1. Holding business briefings and price negotiations.</li> <li>2. Carrying out on-site audits and promoting occupational safety and health.</li> </ol>	<ul style="list-style-type: none"> <li>Green procurement</li> </ul>

### Stakeholder Communication Channels

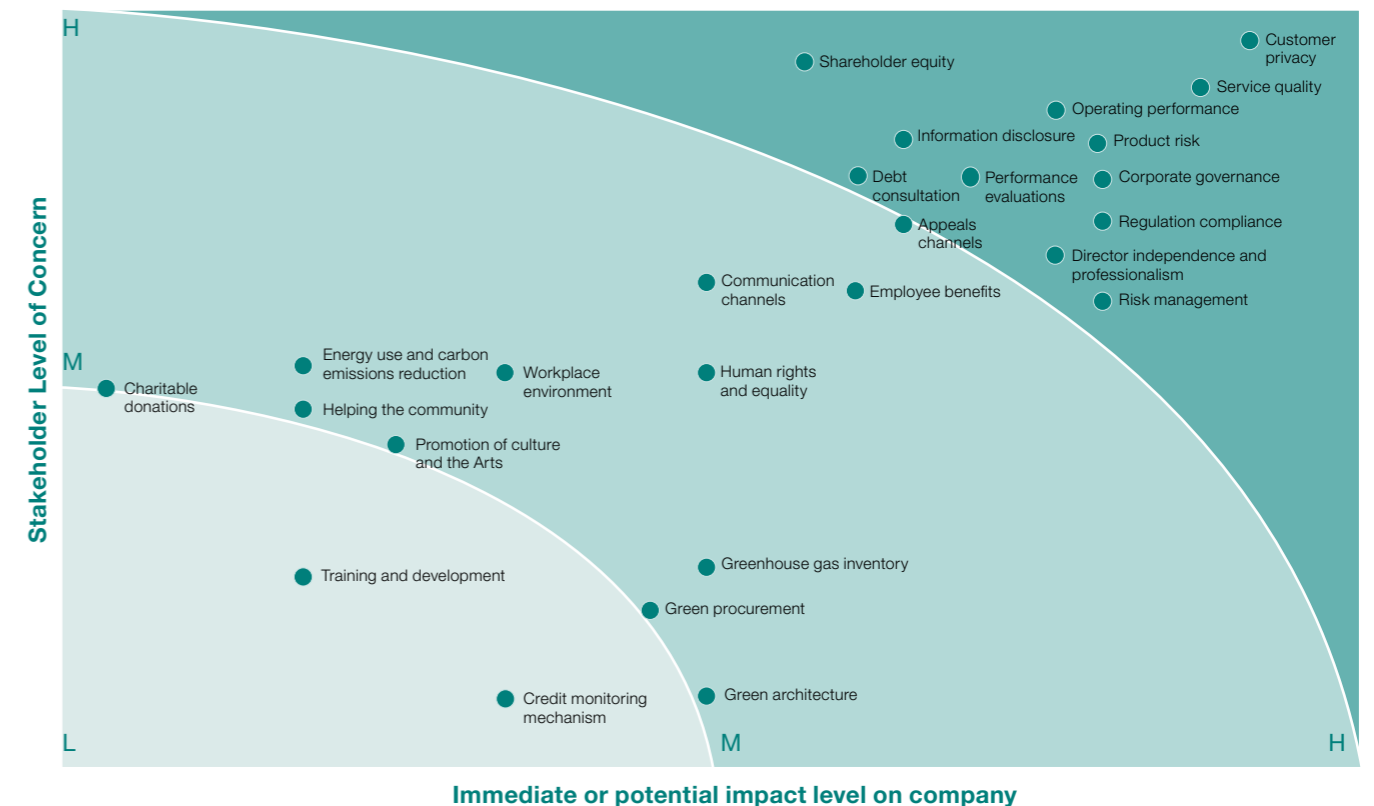
The above six groups were identified and approved by the CSR Taskforce Committee and the committee then outlined each group's specific concerns and CTBC's various channels of communication with each group. Each group was also incorporated into our daily CSR tasks and the yearly CSR plan. These policies were then adjusted or revised as the need arose. The next step was to identify and rank various key issues. The CSR Taskforce Committee first gathered information regarding stakeholders and passed these along to various departments for ranking. Their findings were then reported to the executive meetings of each unit for resolution. Finally, CTBC executives confirmed

the rankings of each key topic, which were then compiled into the Major Issue Matrix Diagram.

### Full and Open Communication with Stakeholders

In order to meet stakeholder expectations, CTBC used the same methodology to hold conversations with our various stakeholders through a range of communication channels. In 2012, we added a survey to the CSR section of our corporate website and invited stakeholders to advise us the issues that are most important to them. Those who took part in the survey in 2012 included investors, customers, employees, and members of the public, who advised they hoped we could focus on areas such as customer care, environmental

Major Issue Matrix Diagram



protection, and community involvement. Survey respondents also recommended that we sponsor more domestic sporting events and strengthen customer data protections. By opening this communication channel, CTBC can better understand stakeholder needs and expectations. Their responses will serve as reference for future adjustments of our CSR policy and development of related projects.

### Supplier Management

Because CTBC works closely with our suppliers, in 2012 we drafted the Supplier CSR Advocacy Policy. Focused on transactions worth over NT\$1 million, we require suppliers to first sign a contract promising they will commit to meeting certain standards of business ethics, employee rights and welfare, and environmental protection. If during our cooperation, we discover that the supplier has not lived up to their promise, we will immediately advise them of the necessary corrective measures and request that they implement these measures. This is discussed in more detail below:

#### Business Ethics

- Suppliers must act in an honest, ethical manner in their business operations. Employees should avoid conflicts of interest, which include offering bribes, perpetuating fraud, or any other violation of business integrity.

- When in the course of performing their jobs, should suppliers require CTBC trade secrets, they must protect that information and use it in a proper manner to prevent company secrets or personal privacy from being compromised.
- Suppliers promise to respect our intellectual property rights and comply with related laws and regulations.

#### Employee Rights and Assistance

- Suppliers must protect the rights and interests of their entire workforce and treat employees with respect. Suppliers may not use forced or involuntary labor or child labor of any kind.
- Suppliers pledge that their remuneration policy meets relevant legal standards. Employee wages may not be lower than minimum wage. They must receive the benefits stipulated by law, reasonable break times, and appropriate overtime pay.
- Suppliers should provide a humane working environment and abstain from physical or verbal harassment, verbal abuse, corporal punishment, mental or physical coercion, or threats.

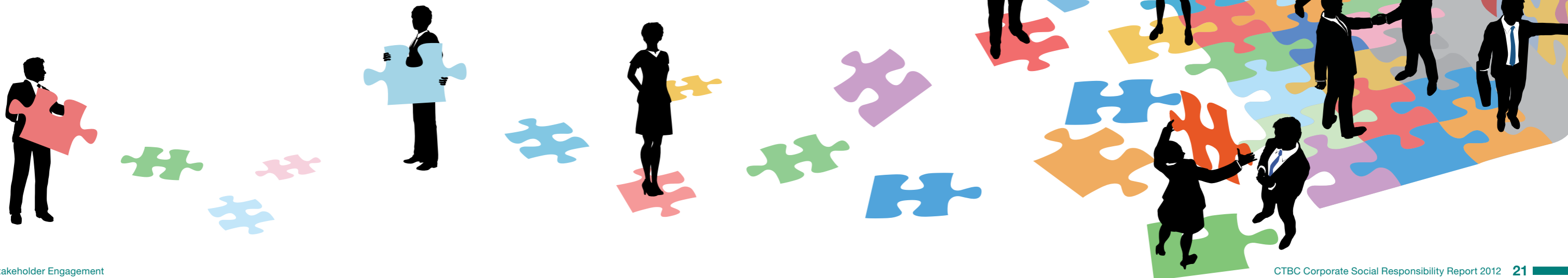
- Suppliers should provide employees with a safe and healthy work environment and comply with all occupational safety and health laws in order to prevent occupational accidents and reduce dangers or potential hazards in the workplace.
- Supplier hiring, promotion, training, and rewards may not discriminate on the basis of race, nationality, skin color, gender, religion, age, health, political views, marital status, or pregnancy.
- Suppliers should respect employee rights as protected by local law, including freedom of association and the freedom to join or not join a union, seek representation, or join a labor committee.

#### Environmental Protection

- In the exercise of their operations, suppliers, as a rule, should utilize materials that are environmentally friendly. Priority should be placed

on purchasing recycled or reusable material, as long as such goods are of sufficient quality, in order to reduce any negative impacts on the environment. Suppliers should avoid using environmentally-hazardous materials.

- Suppliers must review and identify any hazardous materials that may be released into the environment, then properly manage said materials during the process of production, storage, and disposal.
- Suppliers should perform a greenhouse gas inventory and develop carbon management measures to reduce environmental impact.





- Through the end of 2012, net income and net profit after tax totaled NT\$95 billion and NT\$21.2 billion respectively, both of which were record highs.



- while total assets reached NT\$2.1099 trillion, which is a y-o-y increase of NT\$90 billion.



- Institutional banking products market share for derivatives, factoring, and employee stock ownership trusts were number one in Taiwan at 9.74%, 22.5%, and 56.7% respectively.



- Both wealth management assets managed by CTBC and the number of wealth management clients are on the rise. The amount of money we handle for our individual clients already topped NT\$1 trillion in 2010.
- 2010 through 2012: Wealth management assets increased by 7%.
- 22010 through 2012: Number of wealth management clients increased by 4%.



**No.1**

- A 16% market share in terms of credit cards in circulation, making us number one.
- A 17% market share in terms of creditcardholder spending, also number one.



**13.01%**

- Return on shareholders' equity is 13.01%

**CSR Performance**



**116** awards

- In 2012, CTBC received a total of 116 awards from institutions in Taiwan and abroad, which included 22 corporate governance awards. We were also named "Taiwan's Best Bank" by seven international finance organizations (Euromoney, The Banker, The Asset, Asiamoney, Finance Asia, Global Finance, and Global Trade Review), a veritable grand slam that has never been achieved by any other bank in Taiwan.

## CUSTOMER SATISFACTION

# 81%



- We performed a 30 item customer satisfaction survey in 2012 that collected customer opinions on a variety of subjects. Customer satisfaction with our bank branches, online banking, customer service, credit card products and statements, retail banking product application process, and debt management services all reached an average of 81%, outpacing our goal of 77%. The various opinions expressed by customers were provided to the relevant business units as reference for improvement and to our Customer Care Committee for further review.

## EMPLOYEE RETENTION RATE



# 90.4%

- Employee retention rate: In 2012, the employee retention rate was 90.4%, a 1.5% increase over 2011.
- Employee turnover rate: In 2012, employee turnover was at 10.1%, a decrease of 1.5% over the previous year.

## NUMBER OF VOLUNTEERS



# 1,701 volunteers

- In 2012, 1,701 CTBC volunteers donated a total of 122,038 hours while taking part in 1,132 CTBC Charity Foundation activities that assisted 40,000 people, which is 10,000 more than last year.

## EMPLOYEE BENEFIT EXPENDITURES



# NT\$ 511.4 million

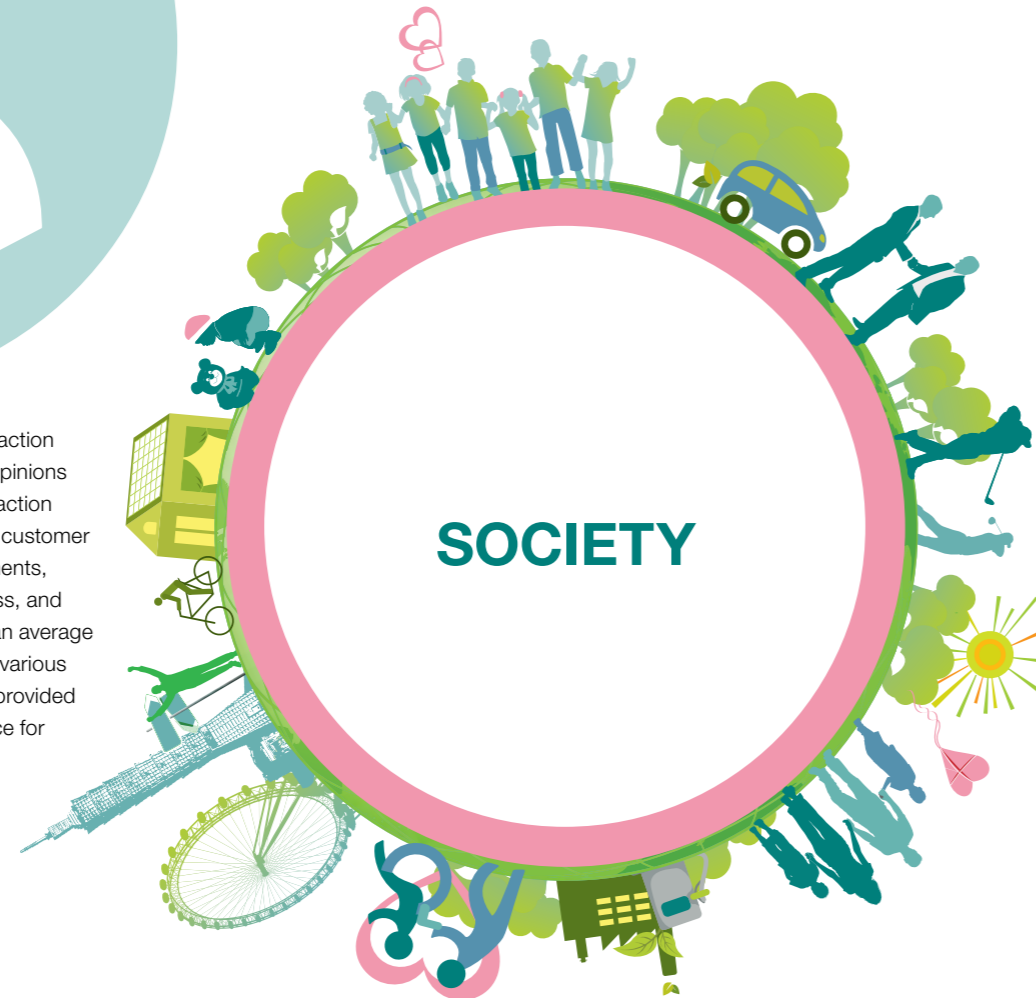
- Offering outstanding employee benefits is very important to CTBC. In 2012, employee benefit expenditures totaled NT\$511,447,000, which represents 0.54% of revenues and 2.08% of net profit after tax.

## COMMUNITY INVOLVEMENT EXPENDITURES

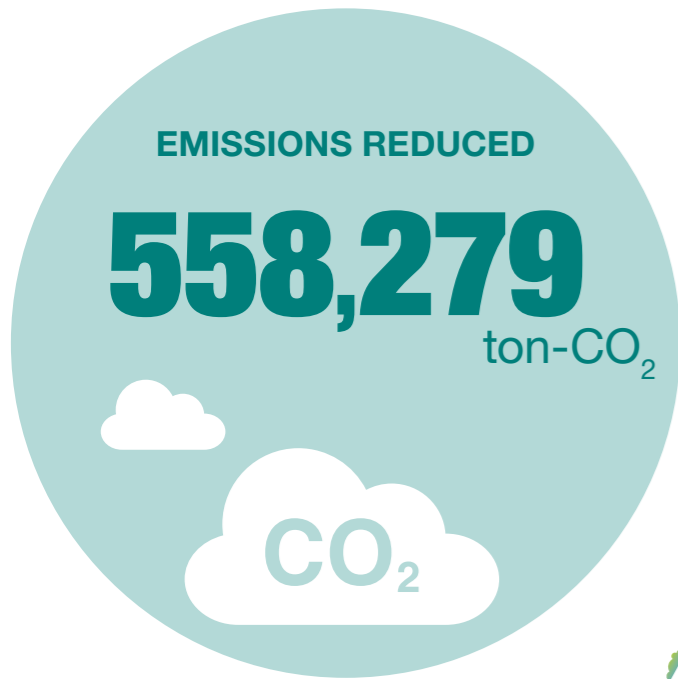


# NT\$ 183.4 million

- In 2012, we donated a total of NT\$183,491,150 towards philanthropic, artistic, athletic, and academic causes.
- With encouragement from CTBC and the Taiwan Lottery, lottery winners are donating higher and higher proportions of their winnings. In 2010, winners donated NT\$1.5 billion, in 2011 this number increased to NT\$2 billion, while in 2012 the amount donated totaled NT\$2.24 billion. Donations went to a total of 173 social welfare organizations, which implemented 270 charity programs assisting 2.15 million disadvantaged people.



## SOCIETY



- CTBC launched a program to encourage both the company and customers to save energy and cut down on carbon emissions. In 2012, a total of 1.56 million participants reduced emissions by 558,279 tons of CO<sub>2</sub>.



**NT\$103.3** million

- Over the past year, environmental protection expenditures totaled NT\$103,332,263 which is 0.1% of our annual revenue.



**No.1**

- We are Taiwan's first financial institution to receive ISO 50001 energy management certification. We implemented the ISO 50001 energy management system to improve the efficiency of our energy use and reduce energy costs. We are committed to reaching our goal of achieving a 5% energy savings within three years.



**NT\$101.4** million

- In 2012, our green procurement totaled NT\$101,469,106, which is an increase of NT\$24,066,476, or 31%, over the NT\$77,402,630 spent in 2011.



**No.1**

- For the past three years, CTBC has participated in the Carbon Disclosure Project (CDP) launched by the mainstream international investment community. In 2012, we were invited to become a CDP signatory, the first financial institution in Taiwan to thusly support the organization and put our commitment into action.



## About CTBC

As Taiwan's financial services industry leader, CTBC has continued to demonstrate our commitment to professionalism by combining creativity with rigorous and pragmatic thinking and by providing customers with the very best products and services. With regard to operations management, we demonstrate positive ambition and unwavering leadership to help customers solve problems. When customers experience difficulties and need assistance, their first thought is of us. Therefore, it has always been our mission to 'protect and build,' even as we work toward our future goals of becoming Taiwan Champion, Asian Leader, and ultimately one of the world's best financial institutions. We also hope to become the most trusted financial services institution in the eyes of our customers.

### CTBC Financial Holding Co., Ltd.

CTBC Holding Co., Ltd. was founded on May 17, 2002, and is a 100% independent financial holding company. Headquartered in Taipei, Taiwan, CTBC Holding boasts over 10,000 employees worldwide. Subsidiaries operating under CTBC Holding include CTBC Bank, CTBC Securities Co. (CTBC Securities), CTBC Insurance Brokers Co., Ltd. (CTBC Insurance Brokers), CTBC Venture Capital Co., Ltd. (CTBC Capital), CTBC Asset Management Co., Ltd. (CTBC AMC), CTBC Security Co., Ltd. (CTBC Security), Taiwan Lottery Co.,

Ltd. (Taiwan Lottery), CTBC Life Insurance Co., Ltd. (CTBC Life), and CTBC Securities Investment Trust Co., Ltd. (CTBC Investment), in addition to nine other subsidiaries.

At present, CTBC principal subsidiary is CTBC Bank in Taiwan, which is comprised of 147 domestic branches and 68 overseas branches. There are a total of 11 overseas branches located in the United States, Canada, Japan, India, Indonesia, the Philippines, Thailand, Vietnam, Hong Kong, Singapore and China, thus making us Taiwan's most international financial institution.

In order to offer more comprehensive financial services, CTBC branched into the investment trust business by acquiring a 98.6% stake in Truswell Securities Investment Trust Co., Ltd. in November 2012. In January 2013, its name was officially changed to CTBC Securities Investment Trust Co., Ltd. (CTBC Investments). CTBC hopes that by developing a co-marketing strategy which incorporates banking, insurance, investment trust, securities and other institutions, we can expand our business operating territory.

Looking to the future, CTBC will continue to uphold our 'We are family' motto, to stay true to our 'protect and build

### Business Philosophy

- Our Mission: To 'protect and build' value for our employees, customers, shareholders, and community so that they may become financially successful and build wonderful futures.
- Our Vision: To be the world's best Chinese financial institution. We hope to become Taiwan Champion, Asian Leader, and ultimately one of the world's best financial institutions.
- Brand Value: 'We are family'
- Brand Spirit: Caring, professional, trustworthy



### Company Profile

Company name	CTBC Financial Holding Co., Ltd.
Established	May 17, 2002
Headquarters address	No.3, Sung Shou Road, Taipei, Taiwan, R.O.C.
Total capital	NT\$124.17 billion
Total assets	NT\$2.0 trillion
Number of employees	10,280
Industry	Finance and insurance
Stock code	2891



### CTBC Overseas Service Outlets

Domestic branches: 147  
Overseas branches: 68

' corporate mission, and continue our commitment to providing the caring, professional, and trustworthy service we are known for. We will also provide customers with more convenient service channels and a more diverse range of financial services in order to achieve our vision of becoming the Taiwan Champion, Asian Leader, and ultimately one of the world's best financial institutions— such that in our customers' eyes, our name will be synonymous with trust.

### CTBC Bank Co., Ltd. (CTBC Bank)

CTBC Bank, formerly known as China Securities and Investment Corporation, was founded in 1966. Business operations include deposits, loans, guarantees, foreign exchange, offshore banking units (OBU), trusts, credit cards, cash cards, securities, bonds, proprietary futures, derivative financial products, factoring, safety deposit boxes, electronic banking services and serving as an agent for the Taiwan Lottery.

In order to expand the scale of operations, CTBC Bank merged with Grand Commercial Bank in December 2003, acquired the Fengshan Credit Cooperative in July 2004, and successfully bid on and acquired the Enterprise Bank of Hualien in May 2007. To increase operational efficacy, CTBC Bank officially merged with the Chinatrust Bills Finance Co., Ltd. on April 26, 2008. CTBC Bank boasts NT\$1.53 trillion in deposits and NT\$1.93 trillion in total assets — the most of any privately-operated bank in Taiwan.

In order to provide customers with more convenient banking services, in September 2012, CTBC Bank added 550 new ATMs at 7-Eleven convenience stores across Taiwan, thereby allowing customers to make deposits, withdrawals, transfers and conduct other banking services at their leisure. By the end of 2012, CTBC Bank had 4,996 ATMs, more than that of any other bank in Taiwan. CTBC ATMs are located throughout Taiwan in various towns and

counties, including the five major metropolitan areas outside of Taipei City and all major tourist attractions (e.g. Nantou's Cingjing Farm, Mount Ali, and Kenting). In Hualien, Taitung, Pingtung and other remote areas, ATM locations also offer branch services.

### CTBC Securities Co., Ltd. (CTBC Securities)

CTBC Securities, formerly known as Pou Chen Securities, was founded in 1989. In 2000, its name was changed to Chinatrust Securities Corporation and in 2003 it was renamed Chinatrust Securities Co., Ltd. (CTBC Securities). Aside from assisting with corporate financing in capital markets, CTBC Securities also offers services related to securities and futures, thereby providing customers with a full range of securities services.

Currently, in addition to the CTBC Securities headquarters, other branches include: Zhongxiao, Kaohsiung, Sanchong,

Yongkang, Wenxin, Hsinchu, Taoyuan, and Songjiang, which provide customers with publicly-traded securities and investment opportunities in emerging stocks and futures trading.

To meet our customers' one-stop shopping demands, CTBC Securities provides online ordering, app orders, telephone orders, and ordering compatible with the iPhone and Android smartphones, in addition to financial management software, all for the purpose of providing customers with a more diversified spectrum of trading services.

### CTBC Insurance Brokers Co., Ltd. (CTBC Insurance Brokers)

CTBC Insurance Brokers Co., Ltd. (CTBC Insurance Brokers) became a CTBC subsidiary in February 1996 and merged with CTBC Holding in 2002. The CTBC Insurance Brokers' sales network is comprised of telemarketing and sales personnel and its products are divided into property and casualty and

life insurance. Property and casualty insurance products include compulsory and voluntary motor vehicle insurance, residential fire insurance, engineering/construction insurance and fidelity bond insurance. Life insurance products include life insurance, medical insurance, savings insurance, and investment-linked insurance.

In response to financial liberalization and the trend of internationalization, CTBC Insurance Brokers is committed to actively enhancing its professional capabilities. Moreover, through a full range of risk management and insurance product platforms, CTBC Insurance Brokers provides customers with new knowledge regarding insurance and financial management, in addition to consultation services, in order to fulfill its wealth management responsibilities to customers.

#### **CTBC Venture Capital Co., Ltd. (CTBC Capital)**

CTBC Venture Capital Company (CTBC Capital), which was CTBC's first foray into the venture capital market, was founded in March 2003. It invests mainly in information technology, communications, biotechnology, medical/healthcare, and alternative energy industries, as well as in companies in traditional industries that have performed well and show great future growth potential. Leveraging CTBC's vast pool of resources, its top-notch management professionals are well positioned to help enterprises develop and CTBC Capital is certain to become their most valued partner.

#### **CTBC Asset Management Co., Ltd. (CTBC AMC)**

CTBC Asset Management Co. (CTBC AMC) was founded in May 2003, mainly for the purpose of taking advantage of the large quantities of non-performing assets arising from Taiwan's domestic financial reform. A team of professionals was assembled to seek out potential business opportunities and to help companies improve their finances. CTBC AMC manages debt trading for financial institutions and for the leasing investment industry.

Since its inception, CTBC AMC has been continually increasing investments and collaborating with reputable foreign partners to manage non-performing loans (NPLs) and related businesses, in addition to performing the same tasks for CTBC. In response to globalization and financial internationalization, it is set to broaden its horizons internationally in pursuit of business opportunities on a global scale. In the future, it will actively bid for NPLs at financial institutions, both domestic and overseas, and will strive to better its understanding of foreign NPL processing and other related professional experience.

#### **CTBC Security Co., Ltd. (CTBC Security)**

Founded in 1995, CTBC Security Company (CTBC Security) became a subsidiary of CTBC in December 2005. CTBC Security is principally engaged in assisting corporate entities protect their property and personnel. Chosen through a meticulous screening process, its highly-trained workforce of over 310 employees stands out as one of the finest in the industry.

CTBC Security's business scope includes planning and design for fire safety and disaster prevention, security systems consulting, security courier services, stationed guards and personnel protection. Financial institutions constitute the majority of its clientele. CTBC Security is committed to a security-based, service-oriented business philosophy to ensure customer satisfaction with its security services.

#### **Taiwan Lottery Corporation (Taiwan Lottery)**

Taiwan Lottery Corporation (Taiwan Lottery) was officially registered in July 2006 as a CTBC Holding subsidiary. From January 1, 2007 to December 31, 2013, it was primarily entrusted with the distribution, sales, marketing, operations and management of the lottery and with handling the prize money. CTBC Holding has now obtained the lottery distribution rights for the fourth time, the duration of which will be from January 1, 2014 to December 31, 2023.

CTBC sought the right to run Taiwan's Public Welfare Lottery largely because it believes in and supports the values the Lottery upholds, such as enhancing employment opportunities for disadvantaged groups and helping these individuals provide for themselves. Moreover, it serves to create a larger public welfare surplus, which improves the society as a whole and supports core values. For CTBC, operating the lottery is a way of giving back to the community. In addition to the annual surplus of NT\$20 billion which is raised for government public welfare, an additional NT\$2.086 billion is allocated to various social welfare programs. In the future, by means of the Lottery, CTBC will continue to demonstrate effective and concrete actions which contribute positively to society and allow us to uphold our philosophy of giving back to the community and implementing corporate social responsibility.

#### **CTBC Life Insurance Co., Ltd. (CTBC Life)**

In order to provide customers with a broader range of diversified financial services, CTBC expanded into the insurance business. In March 2011, CTBC tendered an offer to acquire 100% interest in MetLife Taiwan Insurance Co., Ltd., a subsidiary of the MetLife Group in the United States, and the equity settlement was completed in November 2011. In January 2012, its name was changed to CTBC Life Insurance Co., Ltd. (CTBC Life), thereby officially marking the beginning of CTBC's expansion into the insurance business.

CTBC Life, a subsidiary of CTBC Holding, offers personal insurance, such as life insurance, accident insurance, health insurance and annuity insurance; group insurance includes life insurance, accident insurance and health insurance. Insurance trust services are not currently offered.

CTBC Life primarily utilizes telemarketing, bancassurance and broker-based channels. CTBC Life's call centers provide professional insurance planning services, while the bancassurance and broker channels allow for more

customization for family financial security plans and comprehensive risk management systems.

#### **CTBC Investments Co., Ltd. (CTBC Investments)**

Truswell Securities Investment Trust Co., Ltd. was established in March 1998. In order to expand operations, the CTBC Holding Board of Directors resolved to obtain a 98.6% stake in the company in August 2012. In November 2012, the equity settlement was completed and in January 2013 its name was officially changed to CTBC Investments Co., Ltd. (CTBC Investments). CTBC Investments is principally responsible for issuing beneficiary certificates for securities investment trust funds, utilizing securities investment trust funds to invest in securities and related products, offering discretionary investment services, and engaging in other government-sanctioned business.

#### **Operational Performance**

Fierce competition in the financial services industry coupled with the ever-changing global economy means we are faced with enormous operational challenges. In 2012, the global economy was greatly impacted by the European debt crisis and U.S. fiscal cliff; Europe, the United States and other major economies have adopted lax monetary policies. Domestically, Taiwan's Directorate General of Budget, Accounting and Statistics (DGBAS) continues to revise the economic growth rate down and the Central Bank will continue to keep domestic interest rates low. Although the challenges presented by the market are daunting, CTBC's vast experience in the financial services industry stands it in good stead and operational performance continues to be solid. In 2012, CTBC Holding's net income was NT\$21.2 billion, representing a significant growth of 16% over 2011, while return after-tax on common shareholders' equity reached 13.01% and our budget after-tax achievement rate was 127%. These figures put CTBC Holding at the top of the list of Taiwan's publically-traded financial holding companies.

2012 was a year replete with opportunities and challenges, and CTBC sought to maintain steady business growth while minimizing the impacts of global economic and financial changes. In 2012, we had numerous operational breakthroughs, including: consolidating insurance subsidiaries, expanding our market share, actively developing a market strategy for China, establishing a bank branch and finance leasing company in Shanghai, continuing to support the local private economy and the development of SMEs, and finally, the successful acquisition of Truswell Securities Investment Trust Co., Ltd. to further meet the diverse investment needs of our clientele.

- Insurance Subsidiary Merger:** In recent years, the government has been actively opening up cross-strait financial policy. CTBC has also taken practical action by expanding the pace of our Chinese market strategy, combined with business locations distributed across Southeast Asia, the Americas and China; we have created a dense international network, thereby providing customers with comprehensive global financial services. In 2012, through the merger of an insurance subsidiary (renamed CTBC Life Insurance Co., Ltd.) and by fully

integrating the group's resources, CTBC's overall profit performance reached a new historic high.

- Opening of the Shanghai Branch:** As early as January 2003, CTBC had already opened representative offices in Beijing. After nine years of waiting and preparation, the Shanghai Branch officially opened in March 2012 in Pudong, Shanghai, and now provides Taiwanese business people and local customers alike with the most complete and the highest-quality financial services.
- Financial Leasing Company Opened:** CTBC Asset Management Co., Ltd. (CTBC AMC), a subsidiary of CTBC Holding, invested in CTBC Leasing Co., Ltd., which officially opened a branch in Changning, Shanghai, in September 2012. The establishment of leasing companies in the Chinese market will not only allow us to more quickly access the renminbi business, it is also consistent with the Chinese policy of utilizing finance leasing to support the development of the local economy and SMEs. In the future, CTBC hopes to promote the concept that 'Taiwan service is the best service' so that all customers can enjoy the exceptional quality of our financial services.

### Viability & Profitability

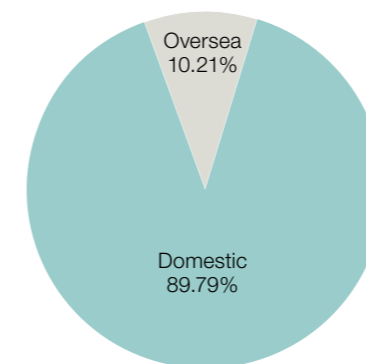
Category / Year	2012	2011	2010	2009
Net income	94,973,805	59,729,412	52,550,863	46,481,163
Total assets	2,109,924,424	2,019,887,856	1,814,593,707	1,760,715,176
Shareholder equity	170,317,870	171,451,609	161,028,748	149,814,775
Net profit after tax	21,181,643	18,289,538	14,133,988	2,431,057
Average revenue per employee	749,485	675,810	312,457	161,244
Average revenue per employee (after tax)	730,401	653,198	300,723	143,003
Earnings per share	1.65	1.61	1.32	0.15
Return on assets	1.03	0.95	0.79	0.14
Return on equity	13.01	12.76	10.53	1.21
Market capitalization	212,952	202,187	212,740	185,135

### Shareholder structure

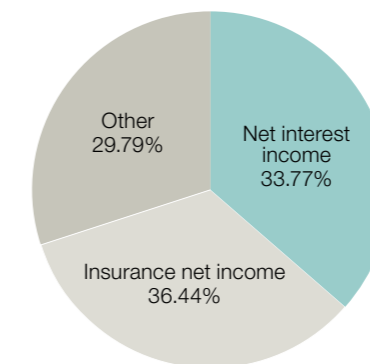
Shareholder structure Quantity	Government Agencies	Financial institutions	Other companies	Foreign institutions & individuals	Individuals	Treasury Stock	Total
Number	11	133	688	1,198	307,693	0	309,723
No. of shares held	14,598	2,057,707,682	2,208,877,251	5,025,557,592	4,458,269,044	0	13,750,426,167
Ownership ratio %	0.00%	14.96%	16.06%	36.56%	32.42%	0.00%	100.00%

### Business categories & proportions

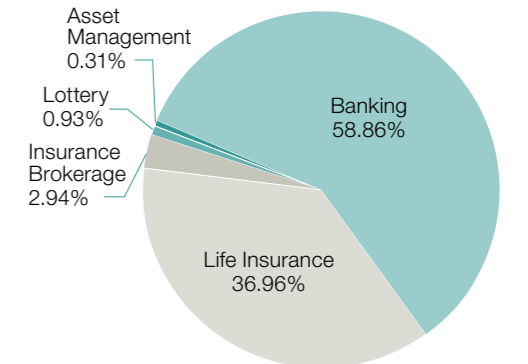
Proportions by region



Proportions by business category



Proportions by industry



**Investment Trust Company Merger:** In order to take advantage of the household assets trend and to meet customer demand, in November 2012, CTBC Holding formally acquired a 98.6% stake in Truswell Securities Investment Trust Co., Ltd., which was renamed CTBC Investments Co., Ltd. (CTBC Investments). After acquiring the subsidiary, CTBC Holding's business operations now cover a broader scope, including personal and corporate banking, insurance and securities, coupled with the combined strength of investment-linked life insurance policies sold through bancassurance. Our vertical integration more efficiently optimizes resources and creates a more solid wealth management platform, thereby providing customers with even more diverse and comprehensive services. In the

future, we hope to penetrate the Chinese asset management market by means of our asset management platform.

CTBC is moving forward with a positive, steady pace and continues to work diligently in all areas, including financial, insurance, and investment trust. In 2012, CTBC's principle base of operations was Taiwan. Local partner procurement firms are at the forefront of our considerations (unless we are limited by product technology or stability considerations) and this policy has contributed greatly to their earnings growth. In 2012, purchases from local firms made up 92% of all CTBC Holding's procurement expenditures. (For more information, please refer to CTBC Holding's annual report, which can be found on our website: [www.chinatrustgroup.com.tw](http://www.chinatrustgroup.com.tw))

## Dividend Payouts

Unit: NTD

Year	2012	2011	2010
Cash dividends per share	0.40	0.73	0.64
Stock dividends per share	0.88	0.72	0.64
Total	1.28	1.45	1.28

## Amount of Tax Paid

Unit: NTD

Year	2012	2011
Income tax	3,038,568,480	1,571,803,867
Business tax	1,825,862,918	1,541,382,088
Stamp tax	130,491,406	130,840,577
Investment tax credits	17,894,119	45,435,686

## Philanthropic Donations

Unit: NTD

Category	2012	2011
Art & culture	106,811,200	68,246,000
Trade & economic development	14,699,950	1,800,000
Charities	46,730,000	321,101,765
Educational support	1,000,000	3,170,400
Athletic sponsorships	14,250,000	8,000,000
Disaster relief	0	46,682,862
Total	183,491,150	449,001,027

## Community Organizations and

### External Communications

Over the years, CTBC has been both committed to serving our customers and also to actively participating in sustainable corporate development, green productivity, and corporate social responsibility. CTBC has also been involved in numerous events held by various associations and foundations with green goals, such as improving energy management and reducing energy consumption and carbon emissions. We are currently involved in the following community organizations:

- The Taiwan Business Council for Sustainable Development:** In January 2012, CTBC Holding became a member of and supervisor for the Taiwan Business Council for Sustainable Development and is dedicated to actively supporting and participating in the Council's various CSR activities. We hope to thereby incorporate more information and knowledge about various CSR topics such as climate change, carbon management, and reduction of corporate energy consumption and carbon emissions into the company's management of day-to-day operations.
- Taiwan Green Productivity Foundation:** In 2012, in conjunction with the Ministry of Economic Affairs Bureau of Energy, CTBC Holding began promoting energy-efficient policies, such as the establishment of an internal overall energy management system, which includes organizational structure, policy development, and energy conservation norms.
- Taiwan Institute for Sustainable Energy Research Foundation & Foundation of Taiwan Industry Service:** In order to gain a more complete understanding of the latest CSR information and knowledge of the most recent CSR policy implementation, CTBC Holding participated in CSR-related seminars and workshops to promote the exchange and sharing of CSR experience.
- Dow Jones Sustainability Indexes (DJSI):** In July 2012, for the first time ever, CTBC Holding participated in the Dow Jones Sustainability Index (DJSI) Sustainability Assessment Questionnaire. The DJSI promotes corporate social responsibility within companies by using various factors to assess corporate performance and make recommendations. After receiving the results of our assessment, in addition to making the recommended improvements, we also conducted a conference call with the DJSI and received advice by professional analysts which will serve as reference for future improvements.
- Carbon Disclosure Project (CDP):** Since 2010, CTBC

Holding has participated in the the Carbon Disclosure Project survey for three consecutive years. The survey assesses a company's business operations for climate change risks and opportunities for improvement. The assessment utilizes precise scientific evaluations to gauge the effectiveness of the implementation of energy conservation and carbon reduction measures, while also assisting the company to develop objectives and plan a strategic direction for the future.

- Social Enterprise Foundation Convention:** CTBC Holding showed its support by attending the seventh annual Social Enterprise Convention, which covered the following five topics: compassion (caring for the disadvantaged), being green (caring for the Earth), being healthy (humanitarian emphasis), being happy (community integrity) and growth (continuous improvement). By upholding basic fundamental business and social values and by respecting the relationship between humans and the environment, we hope Taiwan can truly usher in an era of a green business.
- The Taiwan Society of Wilderness:** Since 2009, CTBC Bank has participated in the annual Summer Solstice Lights Out campaign organized by the Taiwan Society of Wilderness. In 2012, the theme was 'Embrace green living, adapt to a new climate.' The night of the event, CTBC Bank headquarters, the Yongji Building and all 147 Taiwan branches simultaneously turned off a total of 13,127 lights

for one hour, resulting in a decrease of approximately 579 kg of carbon emissions. Via email, we also invited one million customers to participate in the campaign, hoping to convey the concepts of energy and carbon emissions reductions to every customer so that together we can all contribute to a greener Earth.

- Consumers' Foundation, Chinese Taipei:** CTBC supports this foundation because it enhances the level of domestic consumption, protects consumers' rights, and supports and promotes consumer-protection related work.
- Academy of Promoting Economic Legislation (APEL):** To promote improvements in the financial industry and accelerate balanced development, CTBC was invited to serve as a contributing director to the Academy of Promoting Economic Legislation where our first priority will be to work towards the implementation of forward-looking legislation. In order to assist with successful implementation of the Personal Information Protection Act, CTBC provided suggestions to supervisory authorities regarding regulatory implementation and is involved in public policy formulation and development.



## Credit Rating

Rating categories	Rating agency	Credit Rating		Outlook	Other	Effective date
		Long-term	Short-term			
International ratings	Moody's	-	-	Stable	Issuer Rating: A3	2012.10.03
	Standard & Poor's	BBB+	A-2	Stable	-	2012.10.12
	Fitch	A	F1	Stable	Viability Rating: a	2012.11.22
Domestic ratings	Taiwan Ratings	twAA-	twA-1+	Stable	-	2012.10.12
	Fitch	AA+ (tw)	F1+ (tw)	Stable	Viability Rating: a	2012.11.22



For ten years, CTBC has had roots in the financial services industry and its sound business practices have won it the love and admiration of both customers and the community. CTBC has always been committed to giving back to the community, to practicing sustainable corporate development, and to supporting green industries in Taiwan. For these reasons, over the years we have been continually recognized both domestically and internationally by the government and numerous institutions. In 2012, we set a new personal record by winning 116 awards at home and abroad, including awards for outstanding performance in the areas of corporate governance, corporate social responsibility, wealth management, foreign exchange transactions, and consumer and corporate finance.

### Best Bank in Taiwan



The Banker  
Euromoney  
Global Finance  
The Asset  
Finance Asia  
Asiamoney  
Global Trade Review

### Best Corporate Governance



Euromoney  
Asiamoney  
Corporate Governance Asia  
The Asset

### Best Private Bank



Euromoney  
The Asset  
Asiamoney  
Finance Asia  
Private Banker International  
World Finance  
The Banker & Professional Wealth Management

### Best Cash Management Bank



Asiamoney  
The Asset  
The Asian Banker  
The Corporate Treasurer

### Best Corporate Social Responsibility



Corporate Governance Asia  
The Asset  
Common Wealth Magazine  
Taiwan Institute for Sustainable Energy Research  
British Standards Institution



## Corporate Governance

Every business strives for longevity and vigor. But to achieve operational sustainability, only a well-developed system of corporate governance can ensure a stable business foundation and maximize the interests of the shareholders. In recent years, CTBC has done its utmost to establish comprehensive corporate governance, setting standards to ensure compliance with state regulatory bodies and legislation, and also actively pushing for the appointment of external directors to the Board. This has enabled the separation of operations and supervision, which enhances the professionalism and independence of the Board of Directors in their supervisory role. We hope for nothing less than to guarantee product quality, and mutual benefit for customers, employees, shareholders, and for the society as a whole.

Every enterprise is in pursuit of sustainable development. Since CTBC was established over half a century ago it has persisted through different political and economic landscapes, through social changes and the vicissitudes of prosperity, as well as climate change with its threats to the environment and to resources. However, in this era of uncertainty, we continue to strive toward the goal of creating better value for clients, employees, shareholders, and society. Our goal is to be their facilitator in their pursuit of a better future.

In today's world, the financial services industry contact with its customers remains very close knit and also deeply integrated globally. We can be profoundly affected by the politics or economics of any country. So as an island nation, Taiwan in particular must develop outwardly if it is to have a broader global reach. CTBC is setting up branches domestically and abroad to better serve Taiwanese entrepreneurs all over the world. Right now we have 147 domestic branches and overseas branches in 68 locations. Overseas branches were established out of our ambition to partner with Taiwanese entrepreneurs working hard at

the global level. Our aim is: "Wherever there is a Taiwanese entrepreneur, CTBC is also there." Therefore since our establishment, CTBC has been striving towards the objective of "Taiwan Champion, Asia Leader, and one of the world's great companies"-- the financial services institution that is most trustworthy in the hearts of all customers.

### Corporate Reform: Implementing the Independence and Professionalism of the Board of Directors

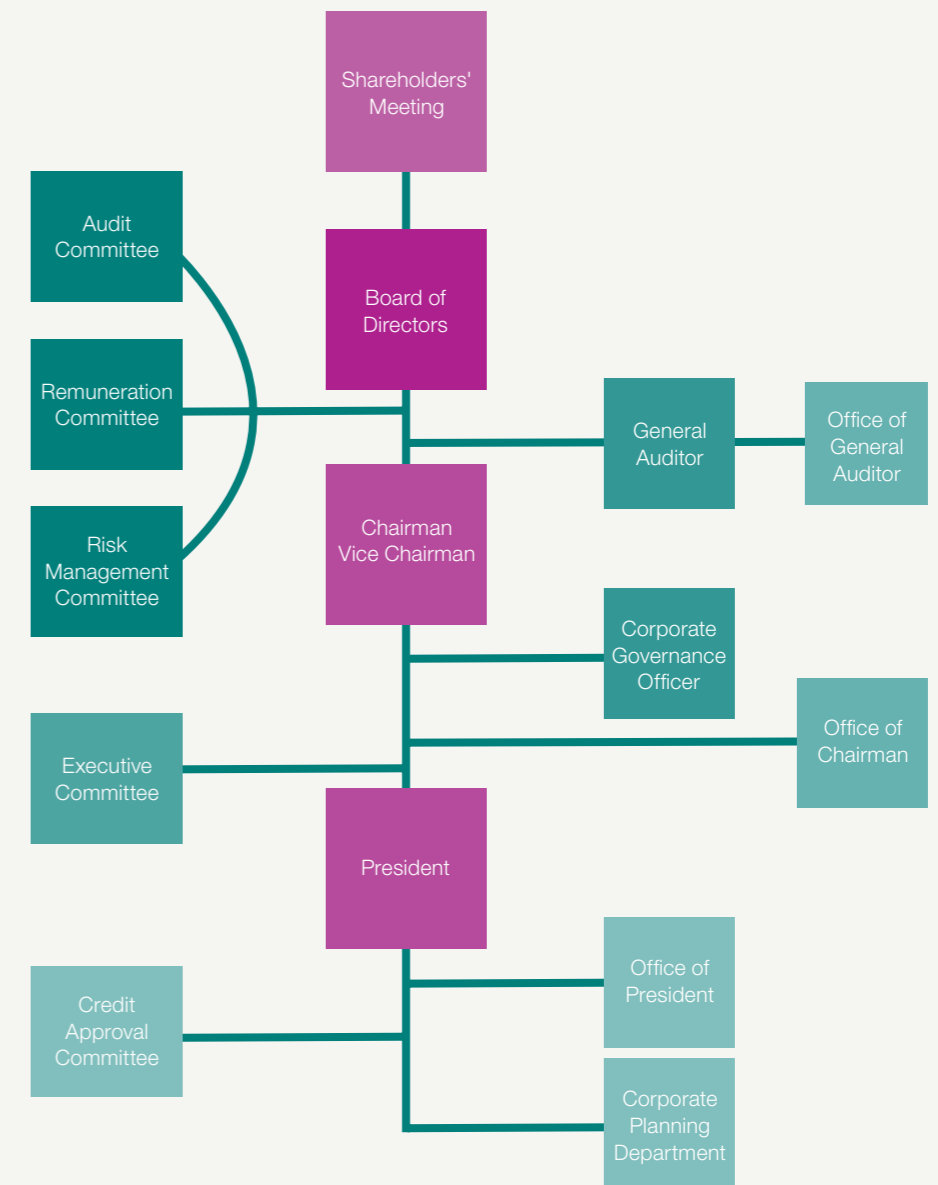
A financial institution is a specially approved business. Every decision is closely tied to the stakeholders, and its scope of influence is very broad. As a leading brand in the financial industry, CTBC is very aware of the public's high expectations, and we wish to bear ever greater social responsibility in line with this.

In 2007, CTBC began to implement a series of corporate governance reforms. Independent directors were instated and a professional management system was established in 2008. From 2009 through 2011, in addition to the establishment of Audit Committee, Remuneration Committee, and Risk

### Actual Performance of Corporate Governance

Year	Corporate governance initiatives implemented
2012	<ul style="list-style-type: none"> <li>Continual reinforcement of corporate governance initiatives, extension of this to our subsidiaries, including setting the "principles of corporate social responsibility practices" and "credit risk management policies".</li> </ul>
2011	<ul style="list-style-type: none"> <li>Held new elections for all directors, ensuring that no company manager serves concurrently on the board, so that managers are responsible for operations, while board members are responsible for overseeing the management team.</li> <li>Stipulated the Ethical Best-Practice Principles, Corporate Governance Best-Practice Principles, Guidelines for the Selection of Subsidiary Directors and Supervisors, and Performance Evaluation Methods for Subsidiary Directors and Supervisors, for CTBC Holding Company and our subsidiaries.</li> <li>Of the Board of Directors' nine members, seven are either external or independent directors, making us an industry leader in independence and specialization of our Board.</li> <li>Established the Risk Management Committee.</li> </ul>
2010	<ul style="list-style-type: none"> <li>Selected professionals in the fields of law, finance, and management to serve as external directors</li> <li>Established the position of Corporate Governance Officer under the Office of the Chairman.</li> </ul>
2009	<ul style="list-style-type: none"> <li>Established the Audit and Remuneration Committees</li> <li>Increased the proportion of independent directors to one-third of the entire Board.</li> <li>Actively participated in investor forums in Taiwan and abroad, and fully disclosed business and financial information</li> </ul>
2008	<ul style="list-style-type: none"> <li>Appointed independent directors</li> <li>Continued to implement a specialized management system</li> </ul>

### Organization Chart



Management Committee, CTBC also moved to make one-third of directors independent, to ensure more open and transparent operation of the Board of Directors. Professionals in the fields of law, finance and management were selected to serve as external directors and Corporate Governance Officer, reporting to the Office of the Chairman, was appointed in 2010. The CGO is responsible for assisting the Board of Directors in administering corporate governance policies, and helping the holding company and its subsidiaries establish a complete corporate governance structure.

CTBC has set a strategic course that aims to fully implement the principle of the separation of execution and supervision. Managers in the various companies in the group are barred from serving as directors or supervisors in the same company. Accordingly, all seats of its board were filled by non-managers, as approved by the shareholders meeting of June 2011. External professionals were selected to serve as directors, taking into account the knowledge, skills and education required of a director, as well as the optimal configuration of the Board overall.

All this is to achieve the objectives of independence and professionalism of the Board.

We established the remuneration committee to oversee the remunerative relationships between the Board of Directors, senior managers, and executives. It is made up of independent directors, and is tasked with assisting the Board of Directors in evaluating and monitoring the overall corporate remuneration strategy and determining salary levels for directors and senior managers.

By subordinating each functional committee and corporate governance unit to the Board of Directors, our expectation is that all corporate governance regulation and implementation will safeguard the rights and benefits of all the shareholders.

#### Formulating Regulations and Policies for a Robust Operational Structure

On an annual basis, CTBC will review the course of actions over the previous year and devise more complete internal regulations and policies for the new fiscal year, in the interest of pursuing more stable and sustainable growth. In 2012 we are seeking to improve corporate governance. We aim for thorough implementation and execution of strategic planning, operational standards, and policy directives, from CTBC down to all our subsidiaries. Accomplishments in this area include:

- **Ethical Corporate Management Best Practice Principles:** In 2011, CTBC and its bank subsidiaries issued the principle, and other subsidiaries i.e. life insurance and securities, asset management, venture capital, and insurance brokers, Security investment, and the Taiwan Lottery completed these tasks in 2012.
- **Corporate Governance Best Practice Principles:** These were issued and carried out in 2011 for CTBC and its bank and Securities subsidiaries, and in 2012 for the Taiwan Lottery. They are issued on an ongoing basis to other subsidiaries. This is done to enhance corporate governance and operational robustness by

strengthening the role of the Board of Directors over the committees.

- **Coporate Social Responsibility Best Practice Principles:** CTBC considers corporate social responsibility as one of the core values of the corporation, and this includes promoting balance between the economic, social and environmental factors. In 2012, we enacted "Code of corporate social responsibility," and have imparted these principles to our subsidiaries.

#### Guidelines for the Selection of Subsidiary Directors and Supervisors, and Implementation of Corporate Governance

Currently CTBC has 9 subsidiaries, including CTBC Bank, CTBC Life Insurance, CTBC Securities, CTBC Insurance Brokers, CTBC Venture Capital, CTBC Asset Management, CTBC Investments, CTBC Security, and Taiwan Lottery. Except promulgating "Policy for the Subsidiary Governance," we implement organizational, strategic, and operational concepts of the parent company in the subsidiaries to better facilitate their management. Such policies in recent years include:

- **Policy for Remuneration of the Directors and Supervisors:** CTBC uses market survey data on salaries, as well as financial industry trade standards, to comply with the legal requirements regarding pay of directors and supervisors. Independent of this, we set the market average standards suitable for our corporation and our subsidiaries, design the principles of remuneration for directors and supervisors, and push each company to enact the "Policy of remuneration for the chairmen and supervisors.
- **Guideline for Selecting Subsidiary Directors and Supervisor Representatives:** CTBC actively promotes external directors to the Board of Directors, and board members are made up of non-managers. This is meant to encourage independence and professionalism in the Board. By adopting this principle here and in the subsidiaries, as appropriate to their type of industry, we

strictly evaluate and appropriately allocate the professional abilities of the board members to the subsidiaries, in order to fully implement the principles of separation of operations and supervision, and reinforce the supervising roles of the directors and supervisor representatives.

- **Guideline of Assessing Performance of Directors and Supervisors of Subsidiary of CTBC:** In order to ensure that the appointed directors and supervisor representatives take full responsibility for their roles, CTBC adopted "Guideline of Assessing Performance of Directors and Supervisors of Subsidiary of CTBC". The appraisal categories include: board meeting attendance, participation and contribution, and whether professional knowledge and abilities of the directors and supervisor representatives are continuously reinforced. We then take the appraisal results as important basis for competence and remuneration, to boost the operational efficiency of the subsidiaries.
- **Policy for the Subsidiary Governance:** A "Subsidiary management plan" has been enacted ensuring that subsidiary operations are comprehensively effective, and that the parent company is implementing suitable and effective policies, as appropriate.

#### Strengthen the Board's Management System and Enhance the Efficiency of Governance

The Board is the key to implementing important corporate policies. In order to help them better understand the diversity of CTBC's business transactions, make correct judgments, and facilitate the overall corporate managerial development, in 2012 CTBC arranged for various initiatives for the Board members, including regular research and overseas observation. This has allowed them to better understand the domestic and international trends in the financial industry, and introduced the electronic proposal operating system, thus reinforcing the Board's management system. The detailed methods are as follow:

- **Reinforce the Management of Efficiency of Overseas Subsidiaries:** In order to enhance supervisory and management efficiency in overseas subsidiaries, in 2012 we specially arranged for the CTBC board members to visit overseas subsidiaries, their local competent authorities and subsidiary directors and upper level managers. Board members are thus in a better position to make appropriate decisions and be more effective in carrying out tasks.
- **Regular Reporting on Integrity Management:** Report the status of integrity management to the board, and conduct seminars on "Regular reporting by subsidiaries to the Board on carrying out integrity management" so that each subsidiary can be in compliance.
- **Arrange Research Courses for the Board Members and Supervisor Representatives:** In order to reinforce the professional knowledge and abilities of the board members, CTBC regularly arranges research courses for the board members and supervisor representatives each year. This helps the board members and supervisory representatives stay abreast of developments in relevant domestic and international regulations. In 2012, CTBC held a total of 54 training hours for the board members with an overall attendance rate of 93%.
- **Planning and Introducing the Electric Proposal Operating System:** In order to enhance the Board's management system, in 2012 CTBC migrated the entire pre-operating workflow into the electric proposal operating system. This cuts down on human labor, makes for easier management and control, and reduces paper consumption.

According to CTBC rules governing the Board of Directors, directors or their representatives must avoid any conflicts of interest when such interests could bring harm to the company. In such cases it is appropriate for the director to excuse himself or herself, and must abstain from all discussion and votes on the matter at

hand (refer to the table below). This policy is executed in accordance with Article 206 of the Company Act. Under Article 8 of CTBC's Board of Directors Rules and Procedures, other issues related to environmental and social risk management that are determined to be key issues by company executives are submitted to the Board for discussion.

#### Board Member Age

Age range	Number of directors
30~50 years old	1
Over 50	8
Total	9

Note: The members of the CTBC Board of Directors are all male. The ratio of female to male is 0:100; in addition, the female members of the Taiwan Lottery make up 14.29%.

#### Proposals Involving Board of Director Conflicts of Interest

Date	Content of the proposal	Name(s)	Nature of dispute	Vote result
2012.1.13 11th meeting of the 4th Board of Directors	According to the annual bonus guideline of the 2011 fiscal year, the total sums and the total bonuses of managers are approved by the 2nd annual and 7th remuneration committee.	Jeffrey L. S. Koo	Chairman of the Company	As prescribed by law, those involved recused themselves, while the proposal was passed by the remaining directors present with no objections.
	Independent director receiving annual bonus for the 2011 fiscal year.	Jie-Haun Lee Chung-Yu Wang Wen-Chih Lee	Involved the company's Independent directors	The interested party did not participate in the discussion and vote; all the board members who attended approved unanimously.
2012.4.5 15th meeting of the 4th Board of Directors	Subsidiary CTBC Life Insurance is an important company to business development. Drafted the real estate investment product guideline. Follows approval of the first annual and 10th risk management committee.	Song-Chi Chien	Subsidiary Chairman	The interested party did not participate in the discussion and vote; all the board members who attended approved unanimously.
	Due to the need for business development of CTBC Life Insurance, the case of profitable real estate investment is reported.	Song-Chi Chien	Subsidiary Chairman	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
2012.4.26 16th meeting of the 4th Board of Directors	Revised CTBC Life Insurance "2012 regulations of relative investment capital establishment goal. Approved by the first annual and 11th risk management committee.	Song-Chi Chien	Subsidiary Chairman	The interested party did not participate in discussion and vote; all the board members attended approved unanimously.
	Enacted CTBC Life Insurance "Risk management policy of non-public price investment. Approved by the first annual and 11th risk management committee.	Song-Chi Chien	Subsidiary Chairman	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.

2012.4.26 16th meeting of the 4th Board of Directors	Revised CTBC Life Insurance Real estate investment product guideline. Approved by the first annual and 11th risk management committee.	Song-Chi Chien	Subsidiary Chairman	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
	Drafted 2012 shareholders meeting report; Fourth annual board meeting on non-competition restrictions.	Song-Chi Chien	Subsidiary Chairman	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
2012.5.24 17th meeting of the 4th Board of Directors	2012 fiscal year health checkup for some employees (Managers, including Vice President or above). Commissioned by the Koo Foundation Sun Yat-Sen Cancer Center. Approved by the 2nd annual and 14th audit committee.	Jeffrey L.S. Koo	Chairman of the Company	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
	In the 2011 fiscal year, under the category of distribution of profit, the sum of board remuneration, totaled 146,420,003 dollars. According to the "non-independent board remuneration method, the distribution ratio was appraised. Approved by the 2nd annual and 10th remuneration committee.	Jeffrey L.S. Koo Wen-Long Yen H. Steve Hsieh Song-Chi Chien Paul T.C. Liang Yen-Pao Chen	Our non-independent board	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
2012.6.21 18th meeting of the 4th Board of Directors	The tenure of the second board of director supervisor representative for Taiwan Lottery is coming to an end. According Article 195 of the corporate law and Article 15 of the financial holding company law, proceeded to elect director and supervisor representative at the 3rd annual board .	H. Steve Hsieh	Subsidiary Chairman	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
2012.10.23 24th meeting of the 4th Board of Directors	Draft unpaid annual bonus of the first year CTBC Life Insurance Board of Directors. Approved by the 2nd annual and 15th remuneration committee.	Song-Chi Chien	Subsidiary Chairman	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
2012.12.26 27th meeting of the 4th Board of Directors	Due to business need, The case of members of the CTBC Bank Board is adjusted.	Chao-Chin Tung Thomas K.S. Chen	Director of the Company	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.
	Due to business need, reassignment of some members of the Risk Management Committee.	Thomas K.S. Chen	Director of the Company	The interested party did not participate in discussion and vote; all the board members who attended approved unanimously.

Directors and Supervisors

April 26, 2013

Title	Name	Date of Assignment	Office term (note)	Owned Shares upon Assignment		Presently Owned Shares		Shares Owned by the Shareholders, Spouse and Children under the Legal Ages		Education	Significant Experience
				Number of Shares	%	Number of Shares	%	Number of Shares	%		
Chairman	Wen-Long Yen	2012.12.26	3	52,953,312	0.53%	70,415,965	0.51%	70,443,676	0.51%	Department of Economics, Soochow University, Taiwan	Director of CTBC Bank Co., Ltd. Vice Chairman of Kainan University Director of United Real Estate Management Co., Ltd.
Vice Chairman	H. Steve Hsieh Representative of Yi Kao Investment Co., Ltd.	2012.12.26	3	15,934,654	0.16%	431,721,579	3.14%	-	-	Ph.D. in Biochemical Nutrition, University of Wisconsin, U.S.A.	Director of CTBC Bank Co., Ltd. Chairman of Taiwan Lottery Co., Ltd. Independent Director LITE-ON IT Co., Ltd. Secretary General, Executive Yuan
Director	Thomas K.S. Chen Representative of Yi Kao Investment Co., Ltd.	2012.12.26	3	15,934,654	0.16%	431,721,579	3.14%	3,227,793	0.02%	Bachelor of Public Finance, National Chengchi University, Taiwan	Vice Chairman of CTBC Bank Co., Ltd. Chairman of CTBC Investment Co., Ltd. Director of CTBC Life Insurance Co., Ltd. Director of Taipei Financial Center Corporation
Director	Song-Chi Chien Representative of Yi Kao Investment Co., Ltd.	2011.6.10	3	15,934,654	0.16%	431,721,579	3.14%	-	-	Master of Public Finance, National Chengchi University, Taiwan	Chairman of CTBC Life Insurance Co., Ltd Chairman of Singfor Life Insurance Co., Ltd Insurance Commissioner, Ministry of Finance Deputy Director, Department of Finance, Ministry of Finance
Director	Chao-Chin, Tung Representative of Chang Chi Investment Ltd.	2012.12.26	3	1,000,000	0.01%	1,329,773	0.01%	213,668	0.00%	M.S. in Material Science, University of Rochester, U.S.A.	Chairman of CTBC Bank Co., Ltd. Director of CTBC Life Insurance Co., Ltd. Chairman of CTBC Capital Corporation Chairman of CTBC Bank (U.S.A.) Chairman of Showa Denko HD TRACE Corp.
Director	Yenpao Chen Representative of Chung Cheng Investment Co., Ltd.	2011.9.29	3	8,921,296	0.09%	10,404,892	0.08%	-	-	Ph.D. of Management Finance, University of George Washington , U.S.A.	Director of CTBC Securities Co., Ltd Professor Department of Accounting Soochow University
Independent Director	Chung-Yu Wang	2011.6.10	3	-	-	-	-	-	-	Honorary Ph. D, Chung Yuan Christian University, Taiwan	Independent Director of CTBC Bank Co., Ltd. Chairman of Tong Lung Metal Industry Co., Ltd. Chairman of China Steel Co., Ltd, Chairman of Kaohsiung Rapid Transit Corporation
Independent Director	Wen-Chih Lee	2011.6.10	3	-	-	-	-	-	-	Ph.D. National Taiwan University Graduate Institute of Commerce, Taiwan	Independent Director of CTBC Bank Co., Ltd. Professor, National Kaohsiung University of Applied Sciences Department of wealth and Taxation management Public service supervisors of I-Shou University
Independent Director	Jie-Haun Lee	2011.6.10	3	-	-	-	-	1,169	0.00%	Ph.D. in Finance , Louisiana State University, U.S.A.	Independent Director of CTBC Bank Co., Ltd. Professor, Finance Department , National Chengchi University

Note: The fourth Board of Director period from Jun 10, 2011 to Jun 9, 2014.

### Establishing a Risk Management System and Reaching Sustained and Stable Operation

Financial trends and the changes in international politics and the economy are closely correlated. Since the financial tsunami in 2008, people have realized the severity of this problem. After three to four years of recovery, the global economy is finally coming back, albeit gradually. This time, the financial services industry faces a stricter demand from international financial supervision. CTBC deeply understands the importance of risk management to complete operation of financial institutions. Not only do we comply with the relative regulations of competent authorities, we also require operational strategic goals and Board-verified risk strategies, monitoring the concentration of risk exposure. In the meantime, CTBC also adopts appropriate risk management procedures to quantify risk assessment. We provide support for various policies and management systems exposed to basic risk. We hope to minimize possible risks to tolerable levels. This not only can protect the rights and benefits of the clients, but also helps us reach the goal of sustained and stable operation.

In the past two years, the relative policies at CTBC are as follow:

- **Establishment of the "Risk Management Committee":** Officially established in June 2011 under the Board of Directors to reinforce the board's communications, reports and recommendations regarding risk management.
- **Enact the "Risk Management Core Strategy":** In November 2011, this policy was set as the structure for organizing risk management, responsibility, implementation analysis, metrics, supervisory management, information disclosure, and reports, as the highest-level guidelines for risk management procedures.
- **Revise the "Credit Risk Management Policy":** In December 2012, this policy was revised. CTBC's credit extension policy cooperates with and supports green energy and related environmental industries, in order to

promote business and to practice the principles of corporate social responsibility.

- **Enhance "Risk Information Disclosure and Integration":** In order to meet the demand of international financial supervision indices and financial reports, we have enhanced all categories of risk information disclosure and integration. For example, in order to meet the IFRS, we introduced post-financial reporting and various risk quantification data on a consolidated basis, thus allowing the supervision mechanisms and market participants to better understand the risk status of integrated assets.

### Crisis Management Systems

In order for CTBC to quickly use human and material power to immediately judge and analyze trends, and adopt effective countermeasures, and eliminate crisis situations or lower the damages to us and the subsidiaries to a minimum, we established the crisis management team, and handle crises according to the "CTBC Holding crisis management policy." After the secretary general of the crisis management team confirms the occurrence of a major crisis, he reports to the Convener. The Convener decides whether to assemble the team members. The vice Convener is to assemble the team members before reporting to the Convener. After the crisis team members receive their summons, they are to meet at the designated time and location, and discuss and decide effective countermeasures, and complete all adaptive plans and preparations as soon as possible.

### Legal Compliance

For a long period of time, CTBC has paid close attention to trends in domestic and overseas industrial development and changes in financial policies, laws and regulations. When we actively develop and expand our business, we also strictly abide by applicable laws and regulations. In addition, for the implement of the legal compliance policy, we keep reviewing

and updating internal rules to reflect all newly enacted and changed laws and regulations. Each unit of CTBC shall conduct self-evaluations every six months to ensure that all business transactions are in compliance with the regulations. The Compliance Department will regularly hold educational training and provide guidance in the renewal and revision of the laws, so that all units can immediately follow the latest

regulations. Regarding the execution of legal compliance system, the Chief Compliance Officer regularly reports to the Audit Committee and the Board of Directors to assist the board and related top level managers can become familiar of the status of the legal compliance affairs, and make appropriate decisions. For the past year, the items for improvement and measures of CTBC Group are as follows.

### Items for Improvement and Measures

1	<p>Chinatrust Bank Corp. (USA) (CTBC Bank (USA)), the subsidiary of Chinatrust Commercial Bank Co., Ltd. (CTBC Bank), executed the disposal of 4 Non-Performing Loans (NPLs) or Other Real Estate Owned (OREO) from August 2009 to September 2010 with each transaction amount greater than NT\$300 million. However, Chinatrust Financial Holding Co., Ltd. (CTBC Holding) did not proclaim the information on behalf of CTBC Bank (USA), which violated Article 30, Paragraph 1, Subparagraph 5 and Article 33 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and Article 2, Paragraph 1, Subparagraph 20 of "Taiwan Stock Exchange Corporation (TWSE) Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities". The Chairman of CTBC Holding was fined by Financial Supervisory Commission (FSC) for NT\$240 thousand according to the regulation, and the CTBC Holding was fined by TWSE for NT\$50 thousand due to breaching the contract. &lt;Letter No. Jin-Guan-Zheng-Fa-Zi-10100323591, August 14th, 2012&gt;, &lt;Letter No. Tai-Zheng-Shang-Yi-Zi-1010018543, August 23rd, 2012&gt;</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>1. CTBC Holding has instructed CTBC Bank to review and establish "The Performing Loan Sales Policy" and "Monitoring Notice for Announcement on Sale of Non-Performing Loans and Other Real Estate Owned" which regulate the procedure of material information announcement and provide the guidance for overseas branches/subsidiaries.</li> <li>2. CTBC Holding, on behalf of CTBC Bank (USA), made the remedial proclamation of the 4 cases on Market Observation Posting System (MOPS) on August 27th, 2012.</li> </ol>
2	<p>In accordance with the request of Federal Deposit Insurance Corporation and California Department of Financial Institutions, CTBC Bank (USA), the subsidiary of CTBC Bank, executed a Stipulation to the Issuance of Consent Order on October 11th, 2012 and made a commitment to improve the deficiencies relating to Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) programs.</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>1. CTBC Bank (USA) has hired a consulting firm to reinforce the infrastructure and internal controls of BSA/AML programs. In addition, the firm will assist in reviewing the related operation and control procedures and draw up BSA Action Plan.</li> <li>2. In order to ensure the conformity with related laws and regulations, CTBC Bank (USA) will continuously advocate and promote the sound compliance culture.</li> </ol>
3	<p>In the case of certain upgrade campaign to credit card customers in CTBC Bank, the activities involved adding customer obligations which did not apply to the exceptions in Article 39, Paragraph 1, Subparagraph 5 of "Regulations Governing Institutions Engaging In Credit Card Business". It may affect the sound operation of the Bank. In accordance with Article 61-1 of "The Banking Act of The Republic of China", the order correction is requested to be taken. &lt;Letter No. Jin-Guan-Yin-Kong-Zi-10100021740, March 27th, 2012&gt;</p> <p>Improvement measures:</p> <p>CTBC Bank has established "The Guideline of Upgrading Credit Cards for Customers" to govern the standard of initiative card upgrade and the notification of the customer obligation change, and reported to the Board for approval. Meanwhile, the CTBC Bank has reinforced the advocacy of related regulations and the staff training to the related sales force.</p>
4	<p>The staff of CTBC Bank proceeded cash transactions without the actual delivery of cash, which breached the related internal guidelines and impaired the sound practice of the Bank. Since this case was discovered and reported to FSC with reinforcement action on Bank's own initiative, the order correction is requested to be taken. &lt;Letter No. Jin-Guan-Yin-Kong-Zi-10100407510, March 15th, 2013&gt;</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>1. To ensure the sound operations of cash payment and collection, CTBC Bank has reaffirmed the current control mechanism, strengthened the internal controls of branch operations, and enhanced the checking functions in the transaction system.</li> <li>2. CTBC Bank will include the related risk events to staff training materials for newcomers and reinforce the compliance as well as ethics training for staff.</li> </ol>

5	<p>Requested by FSC, CTBC Bank needs to review and enhance the related Information Technology (IT) security control mechanism in light of recent cases of IT operation error or system malfunction and the FSC Targeted Examination result, and such review result needs to be reported to the Board for discussion. &lt;Letter No. Jin-Guan-Yin-Kong-Zi-10200004750, January 24th, 2013&gt;</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>To ensure the security of IT operations, CTBC Bank has reinforced the operation processes related to the emergency authorization, change management, automatic monitoring of the systems, the controls of authority, and data loss protection, etc.</li> <li>CTBC Bank will reinforce the training plans of IT security and personal data protection.</li> <li>In order to ensure the reinforcement of IT risk management, CTBC Bank has planned to invite external experts to review the overall IT operations. The action plan has been reported to the Board for discussion.</li> </ol>
6	<p>Lin and Yeh, the senior sales of Chinatrust Securities Co., Ltd. (CTBC Securities), were found having accounts in other securities companies. It violated Article 76, Paragraph 2 of "Operating Rules of the Taiwan Stock Exchange Corporation" (hereafter "the Rules") and Article 2, Paragraph 2 of "Regulations Governing Insiders of Securities Firms Opening Accounts at Their Securities Firms for Securities Brokerage Trading". In accordance with Article 135, Paragraph 1 of the Rules, TWSE requested CTBC Securities to raise attention and make improvement. In addition, in accordance with Article 144 of the Rules, the TWSE requested CTBC Securities to impose warning to Lin and Yeh. &lt;Letter No. Tai-Zheng-Jiao-Zi-1010205192, July 26th, 2012&gt;</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>To prevent the similar recurrences, CTBC Securities has modified the system programs to check staff's accounts in other securities firms.</li> <li>On August 27th, 2012, CTBC Securities convened employee incentive and disciplinary meeting and imposed warning and oral warning to Lin and Yeh, respectively.</li> </ol>
7	<p>After the trading hours of November 20th, 2012, the customer in CTBC Securities still kept two Taiwan stocks future contracts of November which should be proceeded to close out the position. It violated Article 57-2 of "Operating Rules of the Taiwan Futures Exchange Corporation (TAIFEX)". In accordance with Article 127 of the Rules, TAIFEX requested CTBC Securities to pay attention and make improvement. In addition, the improvement plan was requested to be submitted to TAIFEX. &lt;Letter No. Tai-Ji-Jie-Zi-10103009510, November 30th, 2012&gt;</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>CTBC Securities has reported the improvement plan to TAIFEX. In addition, CTBC Securities has requested the software company to make the program changes. Besides the original controls in back office, the review controls of front office are added.</li> <li>To prevent the similar recurrences, CTBC Securities will conduct internal staff training twice a year.</li> </ol>
8	<p>The signatories did not sign on certain application forms of insurance policy revision in Chinatrust Insurance Brokers Co., Ltd. (CTBC Insurance Brokers). It violated Article 27, Paragraph 1 of "Regulations Governing Insurance Brokers" based on Article 163, Paragraph 4 of "Insurance Act". CTBC Insurance Brokers was imposed by FSC a fine of NT\$600 thousand, and the correction was requested immediately. &lt;Letter No. Jin-Guan-Bao-Zong-Zi-10102572621, January 11th, 2012&gt;</p> <p>Improvement measures</p> <p>CTBC Insurance Brokers has reviewed the completeness of the related operations. Besides enhancing the advocacy of the related regulations, it also requested the related staff to reinforce the review to comply with the regulations.</p>
9	<p>From April 2011 to May 2011, the fund manager in CTBC Investments Co., Ltd. (CTBC Investments) misstated the corporate information in certain investment analysis reports. In addition, from July 2011 to March 2012, the fund manager quoted the identical information of corporate outlook in certain investment analysis reports without tracking the most recent updates. It violated Article 17, Paragraph 1 of "Securities Investment Trust and Consulting Act". CTBC Investments was imposed a fine of NT\$120 thousand. (This case occurred before CTBC Holding acquired the shares of the CTBC Investments.) &lt;Letter No. Jin-Guan-Zheng-Tou-Zi-10100367391, August 20th, 2012&gt;</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>For misstating information in investment analysis reports, the related personnel have been assigned to reconfirm the information and will avoid the similar recurrences.</li> <li>For updating information in investment analysis report, the financials will be based on the most recent quarterly financial statement; the basic corporate information will be updated based on its most recent releases.</li> </ol>
10	<p>In September 2010, CTBC Investments traded stocks based on investment analysis reports without concrete information about the calculation of buy and sell price setting. The reports lacked reasonable fundamental assessment. Moreover, the investment analysis reports used as the references to buy and sell stocks were not revised as the information of industry overview and business outlook was the same in these reports. It violated Article 17, Paragraph 1 of "Securities Investment Trust and Consulting Act" and Article 4, Paragraph 1 of "Securities Investment Trust and Consulting Act". CTBC Investments was imposed a fine of NT\$120 thousand. (This case occurred before CTBC Holding acquired the shares of the CTBC Investments.) &lt;Letter No. Jin-Guan-Zheng-Tou-Zi-10200024761, January 23rd, 2013&gt;</p> <p>Improvement measures:</p> <ol style="list-style-type: none"> <li>To enhance the investment research and analysis and to increase the performance of mutual funds and discretionary accounts, CTBC Investments has hired 5 analysts and 2 fund managers since November 2012 and will keep recruiting the competent fund and discretionary accounts managers.</li> <li>CTBC Investments has concluded "The improvement plan for the citation and control of investment analysis report." On January 24th, 2013.</li> </ol>

### Information Disclosure

As a publicly listed corporation, CTBC actively protects the transparency of information disclosure. We regularly hold corporation seminars and attend domestic and international investment forums held by foreign investment security brokers. We explain the operational status, financial performance, corporate strategic development, and business operational guidelines to the investors. In 2012, we held four corporate seminars. In addition, on the corporate website of CTBC, we set up related websites for investors in Chinese and English, and provide for immediate searches, uploading of corporate financial reports, fiscal reports, and various important financial information for the investors.

### Internal Control and Audit Systems That Increase Operational Efficiency

Internal corporate user account control is the best way of preventing fraud. We continue to examine and enact all kinds of necessary systems and regulations. Our goal is to establish the most complete internal control structure. This not only protects the rights and benefits of clients, but also allows the corporation to sustain operation. In recent years, the relevant internal systems we continue to promote are as follow:

- Establish an Internal Control and Management Department:** Established in January 2012, it is under the direct administration of the Office of the President. CTBC is the only domestic financial institution that has this organizational function. The main duties of this department is to make overall arrangements and combine financial holdings, bank internal control systems, and relative internal control regulations, to facilitate compliance by all units. We also regularly carry out internal control evaluation and inspection, in order to ensure the effectiveness of internal control system, upgrade the overall operational efficiency, and build excellent culture of organizational management.
- Implement and Execute the Internal Control System:** In order to actualize the internal control of management procedure, we request all units to coordinate their self-

assessments. We evaluate culture of managerial supervision at various levels, risk analysis control, control activities, role distributions, information communication, supervision activities, and corrective measures, including whether to set appropriate internal control policy, and supervision of its effectiveness and appropriateness, whether it can effectively detect possible occurrence of major risks, whether a complete control structure and enactment of internal procedures for all levels are established, and whether appropriate role distribution, effective communication channels are established.

- Establish an Internal Audit System:** In order to assist the Board of Directors and management to review and assess the effectiveness of internal control, CTBC Holding established a general auditor system in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". In addition, CTBC set up an internal audit function that reports directly to the Board of Directors and maintains independence and objectivity when executing its auditing duties. The internal audit function provides recommendations for improvement to best maintain CTBC's internal control system. These include the establishment and promotion of a corporate social responsibility code of practice, and sustaining effective implementation, thereby contributing to the achievement of sustainability.

The internal audit function shall conduct a full-scope audit on the CTBC Holding at least annually, and limited-scope audits on its and all its subsidiaries' financial, risk management, and compliance functions at least semiannually. Major audit activities include:

- Establishing risk-based auditing by planning and conducting the audits based on the risk assessment results of CTBC Holding and its subsidiaries.
- Overseeing implementation of self inspection system.
- Following up on the improvement of internal audit findings and external examination issues continuously.
- Reporting to the Board of Directors and Audit Committee periodically regarding the audit activities.

**Implement measures to prevent fraud and corruption and set a good example for the financial industry**

“Honest operations, amiable service” has been our operational concept since our founding. We not only do our best to fulfill clients’ needs for various financial service and products, but also actively set a good example for the financial industry. We continue winning awards from domestic and overseas organizations, and being recognized by the society. To protect our good corporate image, and to prevent the occurrence of any event which may damage CTBC, our shareholders, and the society., we conduct educational training courses in corporate governance best practice principles to our directors and employees, and promote the principles of anti-bribery and anti-corruption. We have implemented the following measures in 2012:

- **Employee Code of Conduct:** The CTBC employee Code of Conduct clearly indicate the basic principles for employees to observe, including employment ethics, legal requirements, employee relations, gifts policy, client privacy, protection of intellectual property rights, anti-money laundering, prevention of discriminatory behavior, anti-bribery, prevention of conflict of interests, and the protection of corporate capital and reputation.
- **Personal Data Protection:** In order to comply with the Personal Data Protection law, in 2012 we formulated and implemented Personal Data Management Policy. We also engaged professional consultant to assist to plan and execute personal data protection measures to ensure the legality of the collection and use of personal data of employees and clients.
- **Intellectual Property Rights:** To ensure that the legality of the use of intellectual property rights, every six months we request all units to inspect the licenses of all kinds of computer software. In addition, we request all units to ensure that their reference citations of articles or use of software of others are legally licensed to prevent any infringement of intellectual property rights.
- **Insider Trading:** In 2010, we formulated and implemented “Insider Trading Prevention Policy”. We request board members, managers, and employees who actually know any information that will have a material impact on the

price of the securities not to trade in related securities within the statutory time period to prevent conflicts of interests, to prevent any violation of fiduciary duty, to minimize ethical risks, to ensure the soundness of corporate decisions and the legitimacy of the use of information property.

- **Anti-money Laundering and Antiterrorism Policy:** In 2010, we formulated Know Your Customers and Anti Money Laundering Policy as the guidelines for CTBC and subsidiaries. The purpose of this policy is to remind all directors, officers and employees to keep highly aware of money laundering behaviors, and to report any suspect financial transaction to the designated authority according to the local laws and regulations. In 2012 CTBC Bank was the first to implement the “Global Anti-Money Laundering/ Countering the Financing of Terrorism Policy” and extend to overseas branches and subsidiaries to combat criminals, and ensure the safety of clients’ funds. In addition, other subsidiaries of CTBC, including CTBC Life Insurance, CTBC Securities, CTBC Investment Trust, and CTBC Insurance Brokers, have established its own money laundering prevention guidelines and procedures in accordance with Money Laundering Control Act and related laws and regulations, and keep reporting suspect financial transactions and block trades, to assist in preventing money laundering.
- **Legal Compliance Policy:** In 2010, the Compliance Officer System of CTBC has been organized to establish good legal compliance system as guideline for subsidiaries. Legal compliance unit timely provide update information of laws and regulations for all units, conduct regulatory training to employees, hold seminars and invite professionals and scholars to discuss on material issues. In addition, each unit of CTBC shall conduct self-evaluations every six months according to relevant regulations. If deficiencies are found, improvements must be made, and a follow-up report shall be completed by related units.
- **The Establishment of Rotation and Report Mechanisms:**

In order to prevent fraud, we adopted a rotation system for positions that have a high risk of corruption. In addition, we also established a report mechanism. If employees are found to be involved in matters that violate conduct and behavioral principles, they can be reported to managerial levels through the use of an employee communication hotline, mailbox or reporting form.

Regarding corporate governance, CTBC attaches great importance to it and values it as the most important item of corporate social responsibility in the future. We believe through good corporate governance, it can enhance the company’s worth. Corporate governance is an important

foundation for sustained corporate development. In the future we will refer to Basel Committee on Bank Supervision, which stipulates the principles of reinforcing bank and corporate governance. Articles 14 and 147 mentions stable bank and corporate governance, and requires this to be carried out in specific ways. We will continue to investigate the principles of stable corporate governance, the functions of supervision mechanisms, and build and support stable environments for corporate governance mentioned in those articles. We will also focus on effective communications with the stakeholders of CTBC, and respond to the topics they are concerned with, in order to make the corporate governance system more complete and integrated into the global community.



Institution	Contents of awards
Euromoney	Best Managed Company in Taiwan
Corporate Governance Asia	Asia’s Best CEO (Investor Relations)-Daniel Wu Asia’s Best CFO (Investor Relations)- Rachael Kao Best Investor Relations Website/ Promotion Best CSR Best Investor Relations Company (Taiwan) 8th Corporate Governance Asia Recognition Awards 2012 Daniel Wu – 3th Asian Corporate Director Recognition Awards 2012
Asiamoney	Ranking #2 Best Companies in Asia for Corporate Governance Ranking #2 Best for Disclosure and Transparency in Asia Ranking #2 Best for Responsibilities of Management and the Board of Directors in Asia Ranking # 1 Best for Shareholders’ Rights and Equitable Treatment in Asia Ranking # 1 Best for Investor Relations in Asia Best Overall for Corporate Governance in Taiwan Best for Disclosure and Transparency in Taiwan Best for Responsibilities of Management and the Board of Directors in Taiwan Best for Shareholders’ Rights and Equitable Treatment in Taiwan Best for Investor Relations in Taiwan
The Asset	Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations
AsiaRisk	House of the Year
Industrial Development Bureau, Ministry of Economic Affairs	Innovative Organizations in Taiwan
Taiwan Stock Exchange Corporation	Top ten of Taiwan Employment Creation 99 Index



## Customer Care

"Strive for service excellence with customer benefits in mind." Over the years, CTBC have designed and taken various approaches to understand customers' needs and have developed innovative financial service products that give back to customers.

Customers' satisfaction is the key to our success. CTBC continues to listen to customers' voices and protect customers' interests, strives to be customers' life time trustworthy financial services provider.

Conducting business with banks is common for many with growing economy, from fund transferring, credit card / utility bill payment, currency exchange, insurance and wealth management, banks have been playing an important role in customers' everyday life.

To ensure customers enjoy the experience when visiting CTBC branches, CTBC has continuously innovate services to satisfy customers and has been leading the banking industry especially in providing customer-centric financial services.

### Customers Come First

Customer voices and opinions are important to CTBC; we believe in putting every one of our customers first and giving them the very best service possible. In order to provide more services of the highest quality for our customers, and simultaneously fulfilling our corporate mission of "protect and build", we have been operating a 24-hour service hotline since 1992. The hotline allows our customers to call wherever and whenever they are in need of our services. CTBC is also the first financial institution in Taiwan to set up a customer service center, which was accredited with ISO 9001 in 2011.

Since 2010, CTBC has also been implementing a series of revolutionary projects including significant fee reductions in 19 different transaction items for retail banking customers, making our services both more economical and more convenient. In September 2011, CTBC Retail Banking Group set up its Customer Caring Committee

chaired by the head of the Retail Banking Group. The Committee review service standards with voices from staffs and customers on a monthly basis.

To protect customers best interests and continually improve service quality, in 2012 CTBC implemented various projects to improve services in customer complaints, e-statements, fraud prevention, mobile banking and ATMs:

- **Integrated and Dedicated Customer Complaints Resolution Personnel:** In addition to centralized CTBC Retail Banking Customer Call Center, each business units allocate dedicated staff to help follow up and resolve all types of complaints. This has shown that CTBC is devoted in listening to customers and satisfying customer needs committedly.
- **Increasing E-statement Delivery Success Rate:** CTBC has been promoting e-statements to be in tune with the paperless commerce era. Should customer email bounce back, CTBC bank will automatically send out a cell phone text message to confirm customers' email address, so that customers do not miss bank statement due to change of email addresses. Following the implementation of this measure, our monthly e-statement delivery success rate has reached 99%.
- **Security in Loan Transaction:** Fraudulent cases in Taiwan have been increasing recently. In banking sector, the most common fraud type involves loan brokerages masquerading as banks and using falsified documentation to lure unsuspecting consumers into paying unnecessary charges to have loans arranged. Statistics shows that in 2012 our fraud reporting hotline received 32 calls and successfully protects these innocent consumers from fraud. 100 fraudulent websites were also closed down last year. In order to prevent repeating fraudulent incidents, CTBC has put together

a set of financial education measures teaching consumers to apply for loans via proper channels, and thus avoid being targeted by fraudsters. These measures include:

- (1) A loan advice hotline (0809-066-666) that allows consumers to quickly and easily obtain advice on loan applications
  - (2) A fraud reporting hotline (0800-024-365 ext. 8) and an independent unit monitoring and further investigating suspicious transactions
  - (3) Printed materials to remind consumers to take necessary precautions. Written reminders and verbal advice from our employees are given before, during, and after the loan process to ensure that the consumer is not cheated by a loan brokerage
- **Multi-functional and Innovative Mobile Banking:** CTBC strive to develop mobile banking functionality that allows customers to enjoy financial services anytime, anywhere. "Professional, customized and convenient service at a touch":
    - (1) Unique security patents to safeguard account information: patented OTP, One-Time Password mechanism which allows customers to securely set up fund transfers to designated and non-designated accounts.
    - (2) Innovative barcode scanning payment platform: This platform allows customers to quickly and conveniently make payments for CTBC credit cards, utilities, tuition, cell phone bills, etc.
    - (3) Real-time financial advisory and information services: CTBC provides customers with real-time pricing information for major international stock and foreign exchange markets. Daily wealth management reports also helps customers to stay on top on the latest market trend.

- (4) Branch queue tickets in advance: Customers can remotely check in line for a specific branch by getting counter queue tickets and checking queue line status on smartphone app, thus reduce time spent waiting in line.
- (5) Promotion information at a touch: Through Augmented Reality technology CTBC customers can access CTBC's latest promotions through the highly interactive search engine with easily stored promotional vouchers. Preventing our customers from ever missing out on any special promotion!

- **Upgrades ATM Service:** To continue making banking services convenient for our customers, in conjunction with 7-Eleven convenience stores since 2012, CTBC has added 550 ATM machines to our network. CTBC customers can easily access ATMs t nearby 7-Eleven stores around the island, including popular sightseeing spots, such as Chingjing Farm and Alishan, and also remote villages in Hualien, Taitung, and Pingtung. As of December 2012, there are a total of 4,996 CTBC ATMs, more than those provided by any other banks in Taiwan. CTBC ATMs offer over 80 different services, making them superior to any other ATMs in Taiwan. And besides banking services our customers can also make



CTBC listens carefully to our customers in order to guarantee that their interests are protected and become customer's best financial services provider.

bill payment (phone, insurance, utilities etc.) or donate money to charities via ATMs.

### Customer-centric Services Preparation

To proactively attend to our customer needs and provide comprehensive services, CTBC has set up VOC (Voice of Customer) platform in 2007. Wherever CTBC representatives contact customers through branches, sales forces, or customer service centers, CTBC is collecting and analyzing customers' feedback. The analyses are then fed back to relevant departments to undertake improvement measures and to incorporate into future product development process.

In 2012 CTBC VOC platform has received 919 suggestions, of which 415 were considered feasible and put into practice, which is 45% of the yearly total. The infeasible suggestions were still examined and discussed in internal meetings. A VOC report is published bi-weekly and distributed internally. This informs employees the

latest suggestions and continuously built business plans with customer need in mind.

In order for every new product or service to incorporate customer perspectives and needs into its design, front-line representatives are invited in new product development meetings. Before product/service launch, front-line representatives will again be invited to review the content of any related promotional material to ensure every working procedure takes customers interests/needs into account.

For example, after CTBC's e- statement launched, customers dialed in Customer Service Center with needs for CTBC to encrypt personal e-statement. With the request, CTBC then quickly carry out system development and revision assessment. The revisions incorporated other potential e-statement issues gathered from VOC platform. Encrypted e-statement was reviewed by customer service representatives where representatives put together

potential customer reactions in the form of FAQs to mitigate any potential impact on customers.

This customer-centric service preparation process not only improved customer satisfaction but also effectively reduced negative impact on customer. By adopting suggestions collected from VOC platform and providing high quality services, CTBC were able to create a win-win-win situation for customers, environment, and the bank.

### Customer Relationship Maintenance: Service Design that Always Put Customer Needs First

Banking customers encounter various problems needed to be resolved by banks; fortunately with modern technology most problems can be resolved quickly. With the growing popularity of cell phones, customer inquiries can now be resolved more conveniently. April 1992, CTBC was one of the first banks in Taiwan to foresee the trend and established 24-hour customer service hotline. CTBC was also the first financial institution in Taiwan to establish a customer service center.

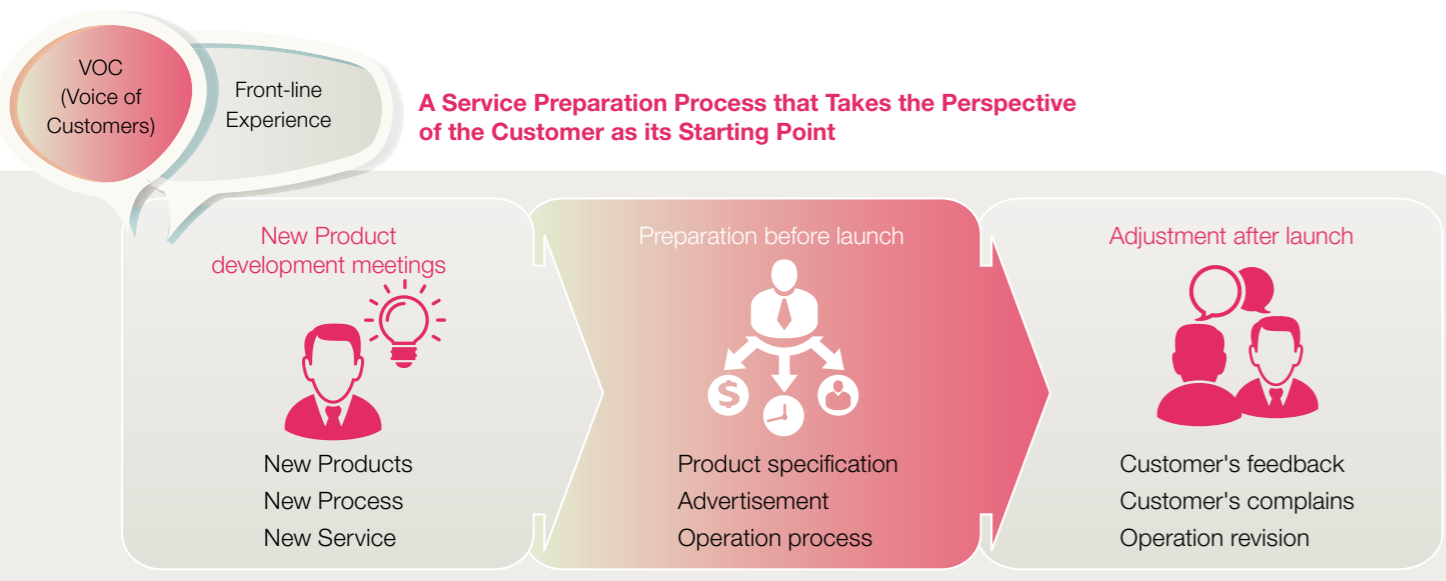
CTBC call center include two teams in both Taipei and Taichung; 450 services representatives provide services to 7 million customers 24/7. CTBC call center receive ~1.1 million calls on a monthly basis, of which 57% are answered by dedicated services representatives. CTBC offers customized service to customers according to demographics and specific needs (e.g. retirees, new clients, or first time caller). All service reps are trained to provide one-stop service and fulfill customer needs within just one call. In 2012, 95% of called-in issues were resolved within one call.

To perceive customer needs and proactively provide desired product and services, including airport parking reservation services with text reminder prior the trip, CTBC

has built EBS , event based service system by analyzing and predicting customer need via information gathered from VOC and representative feedbacks on a daily basis.

In addition to predict basic customer needs, EBS helps CTBC better understand customer and protect customer interests by developing a deeper relationship:

- **Heartfelt Service:** Due to the operation system limitations, there were 2~3 days period where customers' credit card open-to-buy was available for customers after balance were paid off. In 2012 CTBC was able to overcome the limitation and offer customer flexible, real-time, and convenient credit line once customer debit the balance (either at branch, via ATMs or online banking). CTBC is currently the only bank in the credit card industry providing this service.
- **Joint Redemptions and Friendly Reminders:** Customers are rewarded with credit card and wealth management points when purchasing on CTBC credit cards or utilizing wealth management services. To maximize points value and ease the point redemption process for customers, CTBC offered "joint redemptions" for dual category accumulations in 2012. Meanwhile, CTBC remind customer via statements 6 months before credit card point's expiration date; this allows customers to enjoy full benefit of purchasing with CTBC credit cards.
- **Relationship Text Messaging:** Text messaging marketing has become common practice for businesses to communicate to customers; however one-size-fits-all information has caused burden to customers. In 2012 CTBC has launched "Relationship text messaging" providing integrated service reminders with customized promotion information. This has reduced the number of text messages our customers receive without missing out on any promotions and discounts. Relationship



text messaging combines both service and marketing communication. Messages are sent to remind customer when customer purchasing on CTBC credit cards or pay off card balance; these messages also include relevant promotions based on individual card usage preference (which is identified by various data analysis). CTBC also proactively encourage customer to sign up road side services with eDMs should customers have gasoline or vehicle-related purchases on cards.

### Protecting Customer Interests with Continuous Employee Training

Financial services involve interpersonal interactions. CTBC serves customers with empathy, and assesses, evaluates and adjusts all levels of services annually to continuous improve customer satisfaction. To further advance services level at all contact points, process and platforms and customer satisfaction, CTBC has constantly reinforced staff training and quality control improvement in 2012.

- **Reinforcement of Employee Professional Training:** To protect customer interests, guarantee satisfaction and improve service quality, CTBC expect front-line representatives to professionally provide financial services. Representatives must be periodically trained for latest market trends, financial products, banking regulations, and professional ethics. In the meantime, top CTBC sales reps are asked to share success stories during "A+ dialog" so all representatives benefit from the experience and deliver better services to customers.
- **Quality Control and Improvement Mechanisms:**
  - (1) "Mystery shopper" visits: dedicated departments are responsible for service quality planning and communication. Mystery shoppers call or visit branches on a regular basis to assess services qualities and ensure all the CTBC service guidelines

are followed by all the counter representatives and financial advisory specialists.

- (2) Financial certificate qualification: every financial advisory specialist is required to be equipped with relevant certificates in 8 professional fields. They must also pass internal consultation and planning certification so that CTBS ensures customers receive the highest quality services and advisory.
- (3) Customer satisfaction-oriented incentives for sales reps: CTBC has made customer satisfaction one of the key employee performance evaluation indicators and incentives are linked with these indicators. Customer surveys conducted periodically ascertain customer satisfaction with all financial advisory specialists. According to Global Views Monthly magazine in 2012, service quality in CTBC branches scored 93 points out of 100, and was the top performer nationwide in the category of "Banking and Finance".

- **"Service Light Signal" Streamlines Customer Inquiry Resolution:** CTBC strives to provide best and most efficient service possible at every "moment of truth" at all customer contact points. This is especially true to CTBC customer service call center where the most frequent customers contact takes place. In April 2012, CTBC initiated "Service Light Signal" project which helped service reps to identify different levels of customer inquiry within the shortest possible timeframe and to provide the best possible resolution while protecting customer's best interest. Since the implementation of "Service Light Signal" project, customer inquiries and complaints are resolved exceptionally more effectively and customer satisfaction level has reached 90%. In 2012, customer complaints even fell 40% annually.
- **Increased Internet Information Security:** In May 2013,

customer personal information was suspiciously compromised through CTBC Online Billing Center.

The revealed data included telephone numbers, Taipower customer IDs, vehicle-related tax bills and other billing information stored in the system. Although account / transaction information was not included, approximately 10,000 customers were impacted in this incidence. To protect customers' best interests, CTBC notified police authority on 14 May 2013 to immediately begin investigation. For the prevention of similar incidence, CTBC has put the following measures into place:

- (1) Services calls and formal letters were made to inform impacted customers and any proper resolutions were taken place by 24 May 2013.
- (2) Reviewing and authorizing procedures were implemented for any website content/structure changes. External computer security consultancies were also introduced to evaluate/test level of security periodically.
- (3) At the CTBC Online Billing Center, payment details were hidden and reminders for customers not to store personal information at the username field were taken place at the user interface.
- (4) Also, at CTBC homepage a formal statement were made to remind those concerned, not to engage in illegal or unauthorized reproduction, the use of excerpts, information extraction, downloading, dissemination, or altering all or parts of the website's content.

### Debt Consolidation Care

CTBC understands ups and downs in life. With customers' unexpected circumstances in mind, CTBC debt management team is designed to help customers with financial difficulties. This not only is a unique service set up after 2008 financial crisis, but also demonstrates CTBC's

concern for its customers and the spirit of "We are family".

### Debt management trilogy, showing customer care in action

CTBC take customers in debt with empathy and is always trying to provide best possible assistance to customers and their families.

#### (1) Fund Raising by Group Purchasing Product/Services of in Debt Customers

In the past few years CTBC debt management team has devoted to help indebted customers through charitable group purchasing, donations, and charitable goods delivery. In 2012, one of our indebted customers, Miss Hu, lost her job due to injury while still having to support her aging mother. She ended up running up a debt with us, but insisted to pay off the balance; then CTBC was able to design a payment plan for Miss Hu. She later started running a fruit importing business. To support Miss Hu's business, some of the CTBC employees initiated a group purchase for her fruit products using CTBC intranet and had successfully helped her through financial difficulties with the incremental income.

The charitable group purchasing model then gradually spread throughout CTBC; employees as a whole have shown care for customer, and this reflects CTBC's pledge to build a lasting and reliable relationship with customers. Since December 2008, the time charitable group purchasing first began, CTBC has helped a total of 38 customers through 101 group purchases activities. More than 3284 employees have participated with purchasing volume of NT\$1,505,658.

#### (2) Debt Consolidation

Many CTBC indebted customers might also default on account from other banks. With care for customer in mind and attempt to ease customer burden making all the payments in time, CTBC proactively assist

customers to consolidate debts. In 2012, CTBC has completed debt consolidation to a sum of NT\$3.4 billion. With the assistance and the ease of making one single consolidated payment instead of several payments a month, customers were able to rebuild their credit more quickly without all the financial stresses.

### (3) Fund Raising for Children's Education

Children in indebted families might also struggle for education opportunity due to the financial difficulties. In 2009 CTBC debt management team started raise donations for the children of indebted customers, and to date 582 donations of NT\$231,150 were received. This has successfully helped a family to get back on their feet; as of end of 2012 CTBC continues to financially support 12 more children of indebted customers. Every little bit of help counts to bring stability into the customers and the children.

### Wealth Management Service

In recent years it has become apparent that income growth is lagging further behind inflation. Wealth management has then become of import to our customers. A dedicated wealth management team provides various types of investment and wealth management service for our customers. In order to protect our customers' interests better, in 2012 we established our Compliance and Risk Management Center drawing up guidelines based upon regulations promulgated by the competent authority and other common issues concerning the protection of financial consumers' rights. The center also monitors and controls risks both for CTBC and customers.

In terms of protecting customer investments, CTBC offers investment advice prior to the transaction by risk assessment questionnaires, investment intent assessment

etc., to deeper understand customers' risk tolerance and aversion. CTBC then offers different investment portfolio suggestion to customers based on different risk category. In addition, real-time market and industry updates were provide to customers so customer will be able to make well-informed investment decisions. These updates range from market/industry updates, graded credit risk alerts and annual risk assessments results.

In terms of internal risk control, CTBC put "Management Guidelines for Abiding by Regulations Covering Advertising, Solicitation of Business, and Marketing Activities for Retail Banking Operations in Taiwan" in place along with the following 4 measures to assist customers in taking the right precautions:

- **Product Evaluation Committee:** The committee evaluates wealth management products/services prior to launch. Evaluation includes partner institutions and potential risks associated with the product or service.
- **3-Month Market Forecast System:** This system attempts to predict trends and performance for major markets worldwide to provide guidelines for investment suggestions and portfolio adjustments.
- **Fund Volatility Alert:** The mechanism is built for early detecting deviation in fund performance. Daily monitoring ensures the performance of CTBC's selected products.
- **During and Post Transaction Management:** This includes transaction management and post-transaction control of asymmetric risk, portfolio distribution risk, and the risks associated with insufficient investment knowledge.

With market uncertainty, customers' investment strategy has to be nimble. To meet customer needs in wealth management/ investment information, CTBC holds large wealth management seminars every year. 7 seminars all over Taiwan were held in 2012, as a way of rewarding our customers maintained a long-term relationship with CTBC.

After US sub-prime mortgages crises and sovereign debt in Europe, new opportunities in financial markets worldwide have been formed. To build perspective on global capital movements and economic developments for CTBC customers, in 2012, wealth management seminars were given by our 3 main wealth management consultants. "Asset allocation strategies under the new order" was the topic of the seminars to benefit customers in forming the best asset allocation strategies. Over 1,500 CTBC customers attended the seminars.

Over the years CTBC has held numerous finance conferences and forums with global perspective for customers. CTBC also held various seminars in response to changes in the financial markets, such as real estate, insurance and retirement, tax and wealth management, and financial prosperous living. In 2012 CTBC wealth management team held 165 seminars with over 10,000 customers invited. CTBC expects to provide most updated perspective with quality seminars and activities

Seminar Topic	Month Held	No. of times held
Insurance Services	April	6
Wealth Management	July	9
Tax and Wealth Management	October	12
Retirement and Insurance	November	6
Wealth Management Trends	November	7
Becoming Wealthy Forum	All year round	125

### Supporting Taiwan's Economic Growth by Assisting SMEs

Small and medium enterprises(SMEs) have played a very important role in the economic development of Taiwan. In order to support and expand our services for SMEs, CTBC established its Global SME Division in January 2011 after spending two years in planning and preparations.

This Unit specializes in providing services to SMEs and hopes to be able to offer faster and more convenient financial services for these companies to help them fulfill their potential.

We hope to become the financial institution that they trust in and rely on the most. In the 2 years since beginning operations, we have over NT\$20 billion outstanding loans to SMEs, and we have set a target of NT\$90 billion outstanding loans within 5 years. We hope to become the first choice and most recommended for SMEs in Taiwan.

In order to assist SMEs with their financial requirements, in line with government policy, CTBC started actively promoting two new finance projects: Sports Service Industry Direct Insurance and Travel Agent Finance Promotion in 2012. These projects have loaned to numerous SMEs that have found it difficult to finance from banking service, thus adding a greater degree of sustainability to their operations. These projects have been highly commended by many SMEs.

CTBC's all-new service platform for SMEs is based upon the concepts of "innovation through technology", "zero distance service", and "globalized distribution". It provides them with safe and effective financial services. After passing the credit analysis process, it is possible for SMEs to receive their loan within 30 minutes of engaging with the platform. CTBC also allows companies to remit money using a fax system called Code Fax: Instead of needing original documentation to complete transactions with the issuing bank a coded fax is sent. Messages (MMAS) can also be sent to customers email accounts or cell phones informing them of money transfers in and out of their accounts, and their trade financing. According to their degree of authorization, CTBC customers can also remit money and check their account online through our international banking platform- e Cash.

We began to promote a customized mobile banking service in 2012 for SMEs that provides them with an even more accurate real-time and zero-distance service.

And in 2013 we have begun to promote our “Business card” for SMEs to use for business travel and other small expenses. Our aim is to create innovative financial products that will meet all of the needs of SMEs.

**Going Along with Government Policy by Helping Corporations in Difficulty**

Taiwan is a member of the global village and so it also felt the impact of the global financial crisis, as did many domestic corporations. In order to help corporations in difficulty to relieve their debt burdens and to prevent cash flow problems from affecting their operations, in 2012 the Ministry of Economic Affairs (MOEA) announced the Ministry of Economic Affairs’ Protocols for Assisting Corporations in Debt Negotiations with Creditor Banks. The MOEA also requested the Council for Economic Planning and Development to grant medium- or long-term loans to corporations that accord with the government’s loan policies.

Keen to maintain mutual reliance and vision of grow together in its relationships with corporate clients, CTBC will always be willing to lend a helping hand to those companies that want to carry on in business and repay their debts but are having short-term operational problems. Employing different negotiation models as the circumstances require in order to assist them through a difficult patch is a win-win situation.

For example, if a customer applies for financial aid through MOEA channels and has clearly stated their intent to carry on in business, then during meetings with their creditor banks

CTBC will generally abide by its commitment to support government policy and its customers’ interests and will take a positive view of the customer’s debt repayment plan. Our aim is to get them back on their feet as soon as possible, as well as boosting industrial development in general and fulfilling our corporate social responsibility duties.

**Raising Customer Service Quality by Establishing a One-Stop Window for Corporate Customers**

In order to meet customer expectations and requirements, to avoid creating further hassle for our corporate customers, and to offer them a tip-top, all-round service, in 2011 CTBC began implementing its Customer Service Specialist (CS) system. This team of senior, professional and passion front line employees is fully committed to customer service and is now the main window for contact and consultations between CTBC and its corporate clients.

The team pro-actively sends out deadline notifications concerning deposits and loans and follows up on transaction progress so that the customer can relax and hand over control of the transaction to us, knowing that they can call us anytime that they have a problem.

At the same time, in order to reply to our customer enquiries in an accurate and timely fashion, CTBC has integrated commonly-required knowledge on forex and interest rates, handling fees, and transaction progress into a new Customer Service Management (CSM) system. This system provides our service employees with user-friendly functions that allow them to rapidly answer online customer enquiries.

**Customer Complaint Resolution**

CTBC has comprehensive customer complaint resolution mechanism, including dedicated-

- 24/7 customer service lines (0800-024-365)
- Customer service email address.
- “Individual customer complaint” lines (0800-057-034).
- Corporate customers lines (0800-017-888).

Customers are able to provide valuable suggestions via channel at their convenience. Customer voices will be classified and reviewed by senior management and made as references for future product/services development.

CTBC take customer voice seriously and follow-up on all complaints through a well-established platform; 91.91% of complaints were resolved within 7 days. CTBC also research customer satisfaction post resolution for future improvement reference.

**Customer Satisfaction Surveys**

CTBC strives for excellence in every area of its business. To better understand customer satisfaction with all the

products and services, in 2012 CTBC conducted 30 different customer satisfaction surveys for over 80,000 retail banking customers, including satisfaction with branches, internet banking, customer service calls, credit card usage, billing service, and applications. The average satisfaction rate of 81% has exceeded pre-set goal for 2012 (of 77%). The comments recorded in the surveys were sent to Customer Care Committee to be reviewed for necessary future improvements.

CTBC also works with international consultancies to conduct in-depth, one-to-one interviews and surveys for corporate customers; survey items include services quality and efficiency, product innovation, operational procedures, etc. Task forces will then be formed to improve areas indicated in the results. CTBC makes every effort to provide outstanding service by listening to our customers and exceeding their expectations.



Institution	2012 Customer Service Awards
Global Views Magazine	2012 Wealth Management Survey: First Place in Overall Wealth Management, Banking, Wealth Management, and Most Likely to Recommend to Friends and Family categories 2012 Service Industry Survey: First Place for Finance and Banking
Common Health Magazine	Healthy Brand Survey: First Place commendations in general finance and wealth management
30 Magazine	2012 Young Generation’s Most Preferred Brand Awards: Favorite credit card issuer
Reader’s Digest	Trusted Brand: Gold Awards in Banking and Credit Card Issuing Bank
Business Today	Wealth Management Banking Survey 2012: Best Wealth Management, Most Professional, Best Financial Planning Team, and Best Products Awards Best Banking and Internet Banking Brands
Commercial Times	Taiwan Service Survey 2012: Gold Award



## Employee Care

People are a company's most important asset and are also the key to sustained competitiveness. "We are family" is CTBC's commitment to clients, to society, and above all, to our employees. We believe that this close family relationship begins with taking care of our employees and their families. CTBC shows its commitment to employee welfare by making available complete benefits packages and by improving the workplace environment and atmosphere, all of which allows employees to achieve a sound work-life balance.

CTBC is not only a distinguished financial enterprise; it is also a close-knit family. CTBC employees not only work for the company, but rather every member is part of the CTBC family, working together for the shared glory of the company to create a better future.

We recall founder Mr. Jeffrey L.S. Koo's 'like family' attitude toward his dedicated employees at CTBC's inception. Decades later, this attitude has extended into CTBC's well-known and all-important business philosophy – "We are family," which has also been implemented into our management system. From creating a favorable workplace environment and overall career development to employees' food, clothing, shelter, education, entertainment and health, the totality of our efforts demonstrates that CTBC believes employees do not just work for the company, but that employees are also a valuable resource and important partners in growth. CTBC is committed to creating a happy workplace. We believe that dedicating resources to employee welfare will create a ripple effect and spread happiness to clients and family members, which will then expand into the community. Creating positive business and social feedback loops helps CTBC achieve the sustainable development of civic values and social responsibility.

#### Employment Situation

Over the years, CTBC has followed the principles of meritocracy and of matching employees to the positions best suited to their abilities. For this reason, we allocate numerous resources to recruiting skilled professionals from a variety of industries and who have diverse academic backgrounds. Even during the financial crisis or economic downturns, CTBC did not layoff employees. The purpose of this is to protect employees' interests, boost the domestic job market, and promote corporate social responsibility.

Furthermore, CTBC has continued to focus on the development of financial services talent. To foster this talent

and create a competitive advantage, we have designated a unit responsible for personnel recruitment, development, and training. This has helped increase CTBC employee productivity and satisfaction and has contributed to making CTBC Taiwan's financial industry leader. In 2012, CTBC's main branches made hiring local managers a priority objective, making the local management employment rate 99.9% in Taiwan and 85.6% overseas.

CTBC is committed to creating a positive workplace environment respectful of human rights, free from discrimination and harassment, and which fosters mutual trust and respect. This is crucial since each individual is responsible for the company's performance and reputation. In 2012, CTBC did not experience any incidents of discrimination, child labor, compulsory or forced labor, or employee benefits violations.

In 2012, CTBC had 9,209 permanent, full-time employees and 505 part-time employees in Taiwan—a total staff of 9,714. Overseas branches employed 538 permanent, full-time workers (including Taiwanese stationed overseas) and 28 part-time workers, totaling 566. CTBC is also fully committed to disability hiring and 0.62% of its staff members are disabled, which conforms to the specifications of Taiwan's Labor Standards Act. In 2012, CTBC spent a total of NT\$511.447 million, or 0.54% of revenue, on employee benefits, accounting for 2.08% of pre-tax profit.

CTBC's overall human resource organization can be divided into three main departments: Human Resource Management, Talent Development Management, and Human Resource Policy. There is an additional unit responsible for promoting diverse talent development capabilities and planning a generous remuneration and benefits system. In 2012, CTBC saw stable performance with regard to turnover, employment, education and training.

#### Staff Structure - by gender & Position

2012	Full-time (Taiwan)			Full-time (Overseas)		
	Managers	General employees	Total	Managers	General employees	Total
Number of employees by gender						
Male	534	2,725	3,259	49	190	239
Female	764	5,186	5,950	27	272	299
Total	1,298	7,911	9,209	76	462	538

#### Staff Structure - by Gender

2012/12/31	Taiwan		Overseas		
	Full-time	Temporary, part-time	Full-time (including overseas)	Contracted	Temporary, part-time
Number of employees by sex					
Male	3,259	149	239	2	0
Female	5,950	356	299	8	18

Note: A total of 64 Taiwanese managers are stationed overseas, accounting for 14.4% of the number of overseas employees.

#### Staff Structure - by Salary/Commission

2012/12/31	Taiwan		Overseas		
	Full-time	Temporary, part-time	Full-time (including overseas)	Contracted	Temporary, part-time
Number of employees by salary/commission					
Fixed Salary	8,071	505	538	10	18
Commission	1,138	N/A	N/A	N/A	N/A
Total	9,209	505	538	10	18

#### Staff Structure - by Age & Position

2012	Full-time (Taiwan)			Full-time (Overseas)		
	Managers	General employees	Total	Managers	General employees	Total
Number of employees by age						
50+ years of age	161	247	408	24	25	49
30-49 years of age	1,134	6,058	7,192	52	349	401
under 30 years of age	3	1,606	1,609	0	88	88
Total	1,298	7,911	9,209	76	462	538

#### New Hires (Fixed Salary)

2012	Full-time (Taiwan)	Full-time (Overseas)	Total
Male	356	75	431
Female	483	88	571
Management	11	18	29
General employee	828	145	973
50+ years of age	4	7	11
30-49 years of age	304	115	419
under 30 years of age	531	41	572
Total	839	163	1,002
2012 New-hire entry rate (fixed salary) (Taiwan): 10.4%			

New-hire entry-rate formula: Number of new hires/Average total workforce at the beginning and end of the period

#### Turnover (Fixed Salary)—by Gender & Age

2012	Full-time (Taiwan)	Full-time (Overseas)
2012 year-end workforce (fixed salary)	8,071	538
2012 turnover rate	10.1%	19.31%
Female	467	38
Male	346	55
50+ years of age	32	5
30-49 years of age	467	70
under 30 years of age	314	18
Total	813	93

Turnover-rate formula: Number of separations/Average total workforce at the beginning and end of the period

### Remuneration and Benefits

First-rate salary structure and benefits systems are important factors for retaining talent. CTBC's remuneration and benefits systems are both highly competitive, new-hire salaries are higher than the statutory minimum wage, and we employ a market review mechanism to attract outstanding professionals to work and grow with the company.

#### Remuneration Policy

In order to uphold CTBC's principle of creating a win-win situation for the company, its employees and its shareholders, the following remuneration policy has been formulated:

- Design a fair and incentive pay system according to job requirements.
- Provide employees with stock option plans in order to motivate and retain talent.
- Perform an annual market survey to ensure that the overall employee remuneration is globally competitive.

#### Remuneration System

When determining salary, the core of CTBC's remuneration system is to consider objective factors such as a candidate's past experience, his or her abilities, and the potential value of contributions to the company. In addition, the salary structure supports gender equality and the basic starting salary is higher than that required by Taiwan's Labor Standards Act, such that there is not a pay gap between men and women. Moreover, in order to encourage employee dedication and to motivate employees to achieve operational objectives, we give a generous year-end bonus based on factors such as CTBC's overall performance, market competitiveness, the employee's business unit performance, individual performance and job responsibilities. The Sales Department has a separate system for determining year-end bonuses.

In addition to a fixed salary, an annual year-end bonus and a performance bonus, CTBC has also designed an

attendance bonus for full attendance to encourage staff and create a healthy, happy workplace. This complete system of remuneration for employees is intended both to motivate employees and to ensure a better quality of life.

In general, CTBC employees receive an annual salary of 14 months, which includes 12 months of salary and two months of performance bonuses. Each employee may also receive an additional performance bonus based on individual contributions and the company's operating performance.

According to Taiwan's Directorate General of Budget, Accounting and Statistics (DGBAS), CTBC paid an average annual salary that was 1.2 times higher than that of other comparable financial institutions in 2012. Market reports also show that based on the company's operating performance and individual performance, the average annual salary increased by 4%, and in the case of some individuals, it increased by as much as 16%.

The 2012 remuneration ratios for CTBC employees in Taiwan can be divided into two categories: management remuneration and general employee remuneration. Using male general employees' remuneration as a benchmark, the male-to-female remuneration ratio was 100%:100%, marking no difference between them. At the level of manager and above, using male employees' remuneration as a benchmark, the male-to-female remuneration ratio was 100%:98%, marking only a very slight difference.

#### 2012 Employee Gender Remuneration Ratio (Taiwan)

Salary Spreadsee	Female	Male
Manager or above	98%	100%
General employee	100%	100%

#### Long-Term Rewards

Skilled employees are a company's most important asset. For this reason, to enhance business performance,

CTBC has been actively recruiting global talent and providing generous remuneration plans in order to facilitate long-term retention and reward talent, while at the same time improving staff solidarity and motivation—all toward the ultimate goal of operational success. For the past three years, the implementation of long-term remuneration plans has included: transferring treasury stock to employees, a cash capital increase for employee stock options and an employee stock appreciation rights plan. Furthermore, CTBC was Taiwan's first financial company to launch the Employee Stock Ownership Plan (ESOP) to encourage employee savings. As employees and the company accumulate wealth together, these measures not only help employees develop their potential, they also better motivate employees to achieve the company's strategic goals, thereby improving operational performance. In this way, the company and employees develop a mutually beneficial relationship. The employee benefits structure is as follows:

#### Benefit System

Since July 1, 2003, CTBC has provided permanent, full-time employees with a flexible benefits system, which is divided into two categories: core benefits and flexible benefits. The dual purpose of this benefits system is to care for employees and to offer them a diversified range of benefits choices.

- Core benefits: Designed to meet the basic needs of employees, core benefits provide financial assistance for marriage, bereavement, maternity, inpatient care for dependents, National Labor and Health Insurance, birthday bonus points, an educational allowance for children, a birthday bonus, three holiday bonuses, and departmental vacation allowances.
- Flexible benefits: CTBC pioneered the industry's first benefit point system available on an online benefits platform. This system allows employees to choose the benefits best suited to their needs. Childcare, travel,

and education allowances are just a few of the numerous benefits available.

- In April and October of 2010 respectively, 15.62 million and 36.152 million treasury shares were allotted to CTBC employees.
- In April and July of 2011 respectively, 26.434 million and 3.093 million treasury shares were allotted to CTBC employees.

Treasury Stock Allotment

Stock Appreciation Rights

- In 2011, a total of 93,524 stock appreciation rights plan units were issued. The settlement period is Dec. 31, 2013 (103.12.31.)
- In 2012, a total of 130,955 stock appreciation rights plan units were issued. The settlement period is Dec. 31, 2014 (104.12.31.)

- In 2011, 71.5 million options were offered under the Employee Stock Options Cash Capital Increase Plan. In 2011, more than 2,000 employees participated in the Stock Option Plan.
- In 2012, 133.34 million options were offered under the Employee Stock Options Cash Capital Increase Plan. In 2012, it is estimated that over 8,600 employees participated in the Stock Option Plan.

Employee Stock Options Cash Capital Increase

#### Retirement System

All permanent, full-time CTBC employees in Taiwan participate in the following retirement programs:

- Taiwan's Labor Standards Act retirement system: Each month, based on an employee's gross earnings, CTBC makes a deposit into a retirement fund held in a specialized retirement account in the Central Trust of China.

- Labor Pension Act: Each month, CTBC contributes 6% of an employee's wages to his or her Bureau of Labor Insurance individual retirement account. Employees who wish to contribute to their own retirement accounts have a pre-set percentage deducted from their salary, which is then deposited into the same retirement account.

In keeping with the spirit of CTBC's "We Are Family" motto, the following retirement benefits are intended to convey our affection and gratitude toward retiring employees:

- Upon retiring, a heartfelt farewell dinner is held in honor of the retiring employee. Colleagues and management gather together to wish the employee a happy retirement.
- A specially-crafted souvenir is also presented to the retiring employee by a company representative in gratitude for the employee's long years of valuable service.
- Annual recreational activities and learning programs are offered to retired employees because CTBC continues to care about the well-being of its retired employees and wishes to promote lifelong learning.

#### Staff Training

Skilled professionals are CTBC's most valuable asset and are also the key to the pursuit of excellence and sustainable operations. CTBC values our employees' career development, and we have been repeatedly recognized by domestic and international professional organizations for our efforts. In 2011, CTBC passed Taiwan's Council of Labor Affairs and Vocational Training TTQS training quality assessment, indicating our commitment to quality learning.

In the past, the majority of professional training in the financial industry emphasized product content, service processes, and sales techniques. Investment in employee training was primarily to compensate for insufficient specialized knowledge or abilities. However, we at CTBC believe that training and guidance regarding

basic financial expertise is not enough. Only if we recognize each of our employee's strengths and provide the opportunities and resources to further build upon them, can we create a positive environment where employees grow and develop.

Based on the requirements of our business development strategy, CTBC has created a comprehensive human resource development policy to improve the company's human resources and create competitive advantages. Through the concept of individualized training and according to the varying demands of different positions, we offer management, professional development, language, self-development and other diverse training courses. We also actively promote the following practices:

#### Gallup Strengths Finder

In 2011, CTBC introduced the Gallup Strengths Finder assessment. We performed assessments on both managers and rests of our employees to help our employees better understand their personal strengths and traits and to assist them in appropriately drawing links between their contributions at work and their future career development.

CTBC spent a total of NT\$6 million on this project and became the first domestic financial institution to utilize this type of assessment. At the same time, we also developed a series of Strengths Guidance courses to assist our management team in clearly identifying employee characteristics. By better understanding the developmental needs of employees, CTBC can increase employee motivation and training efficacy. To date, over 1,500 managers have taken the assessment and six management training sessions have been held.

In addition, CTBC also uses 360-degree performance assessment tools. Through self-evaluation, and by assessing supervisors (managers), peers (inter-departmental units),

and subordinates, employees can give more objective and impartial feedback to others and more clearly understand their own strengths and weaknesses. They can also formulate short, medium, and long-term development plans to improve their capabilities and better tackle major and more challenging responsibilities in the future.

#### English Training in Response to Internationalization

In response to the operational and market distribution needs of an increasingly international organization, CTBC launched the English Enhancement Program for Managers and a series of Practical Business English courses. Topics include English for business meetings and English business reception. These courses create an atmosphere conducive to English-language learning.

#### Creating Employee Career Development Maps

In keeping with the CTBC "We are family" spirit, we view employees as an important and strategic partner in growth. For this reason, we perform periodic competency assessments to allow managers and employees to jointly formulate personal career development plans. These plans are conducted in conjunction with professional functional training, management development training, international training courses abroad, soft skill training, and financial certification training to provide employees with career development and personal growth opportunities, allowing CTBC and its employees to create a mutually-beneficial situation.

In the financial industry, skilled professionals are the key to enhancing competitiveness. CTBC takes employee development very seriously and is committed to increasing staff professionalism and creating a flexible service culture to adapt to ever-changing needs. In 2012, CTBC held a total of 2,165 training sessions (including expatriate and overseas training). A total of 996 classes were held in physical classrooms and were attended 13,237 times, while online classes were held 1,169 times and were

attended by 59,005 people. In total, employees received 332,250 hours of training, with each participating employee averaging 30 hours. Employee training expenditures totaled NT\$36.890 million, which averaged NT\$3,729 per person. (Of these figures, training for new hires made up 1,578 of the attendees and a total of 44,409 hours of training.)

#### Learning Development Center

Responsible for promoting learning, our Learning and Development Center offers a variety of teaching techniques and training activities to enhance learning. We strive to create a lively learning environment where learning is fun and everyone is encouraged to share what they know, thereby enabling our organization and employees to grow

#### 2012 Employee Training Hours and Expenditures

Training courses held	996
Training course attendance	13,237
Online training courses held	1,169
Online training course attendance	59,005
Total hours of employee training	332,250
Average training hours per employee	30
Total cost of employee training	36,890,000
Average training costs per employee	3,279
New hire training and hours	1,578 employees, 44,409 hours

Total Training (hours)	Managers	General employees	Total
Female	33,397	182,397	215,794
Male	21,498	94,957	116,455
Total	54,895	277,354	332,249

Average Training Per Employee (hours)	Managers	General employees	Total
Female	41	29	30
Male	35	27	28
Total	38	28	30

	Linkou Academy (Taoyuan County)	Shuilian Academy (New Taipei City)	Cheng Lake Academy (Kaohsiung)
Classrooms	10	6	9
Seating capacity	196	57	542
Accommodation capacity	54	60	167
Special facilities	Computer center, amphitheater, recreation center	Multimedia classrooms, recreation center	Computer center, large conference center, amphitheater, recreation center

together. For example, the CTBC Financial University launched the Self-Development Academy courses. These courses, which include: personality analysis, project management, interpersonal communication, problem analysis and problem solving, and emotional and stress management, help stimulate creativity and assist employees with other aspects of their jobs so they can learn and grow.

CTBC currently has three training centers in Taoyuan County, New Taipei City and Kaohsiung City, each equipped with an amphitheater, interactive classrooms, computer classrooms and numerous other diverse training spaces in order to facilitate training and growth. In addition, each of the centers has accommodations and a fitness center so that employees enjoy the best learning environment possible.

#### Comprehensive Training for New Hires

To help newcomers understand our corporate culture, within three months of reporting for duty, each new employee must complete the CTBC and I course, which introduces the company's history, culture, organization, brand awareness, finance-related laws and regulations, and raises awareness of sexual harassment prevention, gender work equality, privacy protection, prohibition of discrimination and other business ethics, so that new employees can more quickly understand our company culture and become integrated into the family.

#### Inspiring Autonomous Learning

Because we live in a digital age, CTBC is leading the

industry in promoting the Digital Learning Industry Promotion and Development Plan. We have established the CTBC Financial University, and its e-learning platform is erasing employee time and space constraints with regard to learning. It provides both convenience and systematic digital learning resources in order to achieve the ideal goal of making learning happen anytime and anywhere.

#### Providing a Wide Range of Development Opportunities

In response to the intense competition brought about by financial liberalization, in order to meet business needs, and in order to construct a multi-track development mechanism, CTBC provides employees with numerous learning programs, including training for: dealing with international visitors, professional development, holding seminars, job-skills training, job rotation, and project assignment, so as to achieve exceptional company performance and personal excellence.

#### Employee Communication

##### Coordination of Labor Relations - Labor Conferences Held Regularly

In order to build a strong relationship between CTBC employees and management, encourage cooperation, and increase work efficiency, we convene regularly scheduled labor-management conferences. Prior to each conference, employees vote for seven labor representatives (each gender may not make up less than 1/3 of representatives) who then meet with the seven selected management representatives. Labor representatives must be full-time employees and

enjoy all of the protections of the Labor Standards Act, as well as human, tax, and freedom of association rights. In 2012, four labor-management conferences were held. In that same year, there were nine labor disputes, all of which have been properly resolved and closed.

Protections guaranteed in the Labor Standards Act regarding issues such as overtime and night-time work for female employees were formally codified and approved during labor-management meetings. The resulting regulations were then announced to the entire workforce. Regular conference reports at these labor-management meetings also outline issues regarding benefits, such as evaluations of medical facilities providing annual employee health check-ups and general employee care.

#### Labor Disputes

Category	2012	2011	2010
Number of labor disputes	6	4	1
Government communications received regarding labor dispute cases	3	4	1
Number of resolved, closed cases	9	8	2

The minimum notices for important changes in working hours are as follows:

In the case of new branch openings or for expanding manpower at a particular branch, employees must be informed of their transfers at least one week in advance. If a branch goes out of business, loses money, experiences a management change, if there is a business contraction, or if an employee is determined to be unable to perform his or her duties, a minimum of 10-30 days prior notice is required to terminate labor contracts. The notice times outlined in the preceding paragraph must comply with the following requirements:

- (1) Those employed continuously for over three months but less than one year must be given 10 days notice.
- (2) Those employed continuously for over one year but less than three years must be given 20 days notice.

- (3) Those employed continuously for over three years must be given 30 days notice.

#### Exploring Employee Needs – Conducting Regular Surveys

CTBC attaches great importance to interacting and communicating well with employees. In addition to holding labor-management conferences, which must approve any issues involving employee rights, we also hold regular staff mobilization meetings and publish a monthly employee magazine titled People & Things. Moreover, our Human Resource Department conducts anonymous employee satisfaction and organizational climate surveys in order to better understand the needs of our employees.

- Employee satisfaction survey: Held at varying intervals, this survey seeks to better understand employee satisfaction with regard to our management quality, workplace environment, remuneration and benefits, employee development, and overall satisfaction with the facilities, while at the same time discovering any other employee needs or expectations.
- Organizational climate survey: A company's organizational climate is made up of the management's leadership style and behavior, as well as the patterns of interaction among employees. Organizational climate surveys assist management and employees in understanding the overall workplace atmosphere within the company's various units and allow us to make recommendations for improvement and take action in a timely manner.

#### Strengthening Communication Mechanisms - Staff Communication Channels & Hotline

Effective two-way communication is the only way to solidify employee allegiance and encourage employees to identify with the company. To show our concern for employees, and to quickly solve existing problems while preventing future ones from occurring, CTBC has established a special Employee Hotline. The Hotline ensures that the opinions of each employee can be heard directly and that problems are

**CTBC Chairman Yen Wen-long's Article in Learn from Executives:**

**Enterprise Competitiveness Arises from the Pursuit of Innovation & a Fighting Spirit**

With the goal of becoming the world's best Chinese financial institution, CTBC Chairman Yen Wen-long encourages all employees to face the future, not to be afraid of difficulties or of asking questions, to brainstorm and be proactive, and to find the best method of doing things. Only motivated people can sustain the vitality of our organization and make us a formidable competitor.

Trend guru Kenichi Ohmae said, "Those who are too lazy to learn not only to give up on their own growth, they also give up on providing the greatest value to the customer. When the number of such people increases within an enterprise, the enterprise loses its vitality." Chairman Yen believes Ohmae's words imply that employees and enterprises should continually pursue and value growth together. "Death comes from ease and pleasure; life springs from sorrow and calamity" is already one of CTBC's golden rules when facing competition. Chairman Yen stressed, "People must prove themselves with deeds, not words. All hardships present learning opportunities, and all barriers are mentors." Chairman Yen firmly believes that, "If all CTBC employees simply continue pursuing innovation with vitality and a fighting spirit, the future of our development will provide endless possibilities."

quickly addressed. All documents and correspondence are handled in a confidential manner to protect the rights and interests of the complainant.

Staff communication channels include:

- By post: Employees can express their concerns by writing a letter to the Human Resources Unit or by writing directly to the Head of Human Resources.
- In person: Employees can express their opinions directly to any one of our friendly human resource managers.
- Email: Exclusively for staff, employees may send grievances to: CTBChr@ms65.hinet.net
- Internal website: The General Affairs Division, under the General Administration Division, has an internal website that features a feedback section where employees can freely express their opinions. The address is: <http://ga.chinatrust.com.tw/>

In 2012, we received 153 instances of employee feedback via phone, email, post, and our internal website. Comments included a variety of topics, including remuneration and benefits, performance evaluations, internal communications, occupational safety, food quality, and company facilities. Dedicated units reviewed and replied to all comments; all matters have been successfully resolved and closed.

**Learn from Executives Monthly Newsletter**

In May 2011, CTBC executives began sharing a specific theme every month with employees. Known as Learn from Executives, executives utilize this channel to relate their views on business principles, management philosophy, workplace environment, interpersonal communication and other concepts to employees. At the same time, they discuss in depth their career histories, life experiences, leadership philosophies, experiences in the workplace and other topics, in order to help employees better understand corporate culture and become integrated into our family. To date, Learn from Executives has published 21 articles and each one has received tremendous employee response. With the expert guidance of management, the newsletter communicates more

clearly our company's care for employees and expectations, and helps to further unite CTBC.

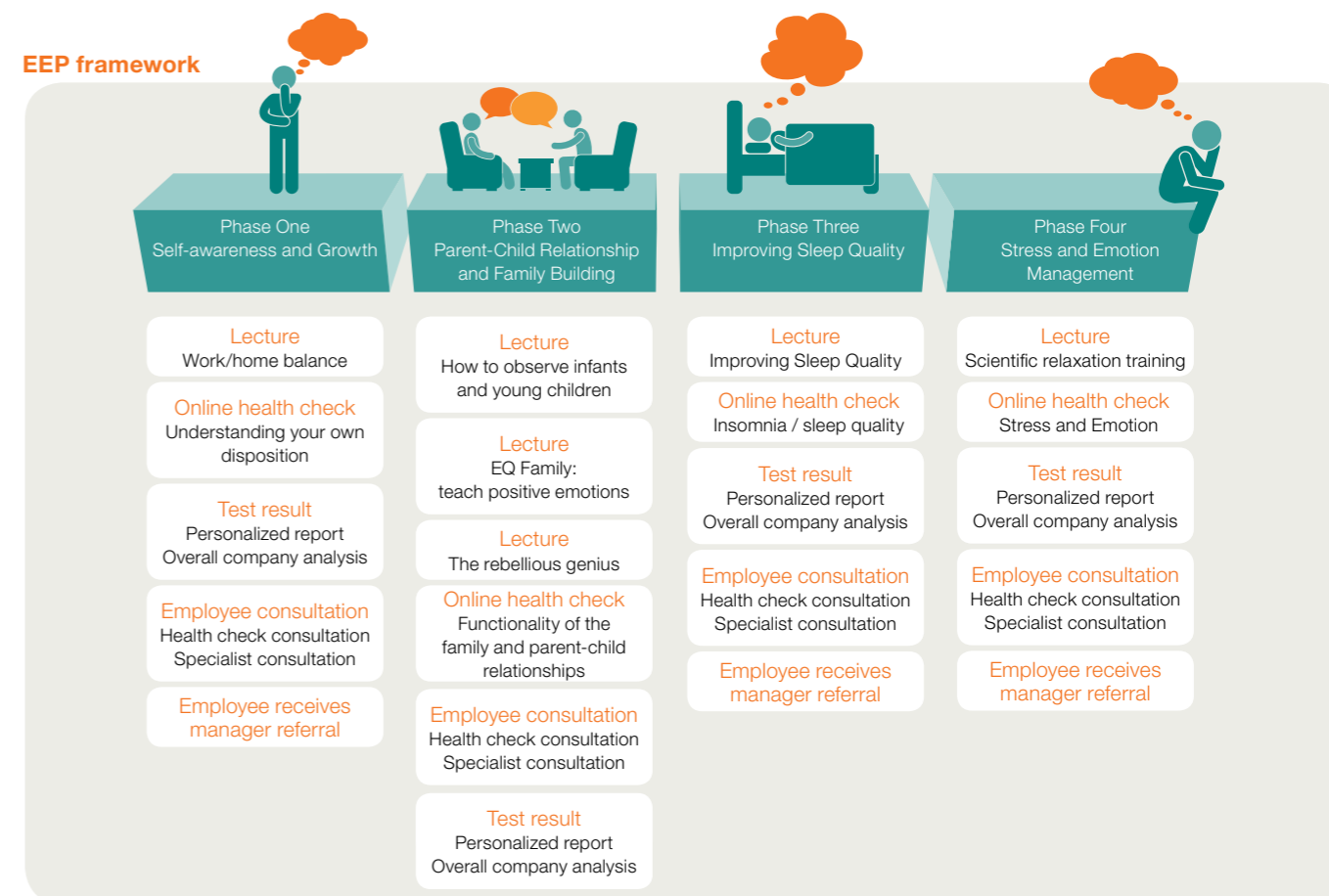
**A Healthy, Happy Workplace**

As part of our commitment to employee well-being, CTBC actively promotes our Happy Workplace program, which encourages employees to care about themselves, love their families, be happy at work, and pursue excellence. Because we care about the well-being of employees' minds and bodies, employees and their families further identify with the company. Through this program, we hope not only to express CTBC's love, dedication, and concern for our employees, but to also allow employees to concentrate on their work, be happy to learn, grow rapidly, create better, and become more productive.

Happy Workplace programs include: the Caring Bank, promoting the Healthy Pyramid concept, ensuring a healthy workplace environment and gender equality, building employee health capital, creating happy CTBC employees, encouraging a culture of volunteerism, organizing Happiness seminars, and promoting the EEP empowerment programs. In addition, we provide exceptional facilities to ensure employees have a healthy workplace environment, and also attach great importance to a variety of health-related and community activities. After a hard day's work, we hope to encourage employees to become healthier and stronger in their leisure time.

**The Employee Enhancement Programs (EEP)**

Over the years, CTBC has realized that simply providing



employees with a superior workplace environment and caring for their physical health is not enough; employee mental and emotional health cannot be overlooked. Based on this awareness, CTBC teamed up with the Taiwan Institute of Psychotherapy in 2011, to jointly promote the Employee Enhancement Programs (EEP). EEP is based on the ideas of caring for oneself, loving and protecting one's family, and finding enjoyment in one's work. The programs fall into four main areas, Self-awareness and Growth, Parent-Child Relationships and Family Building, Improving Sleep Quality, and Stress and Emotional Management. We hope that with the help of expert guidance from mental healthcare professionals, our employees can receive professional advice and assistance should they experience difficulties in any area of their lives.

In addition, CTBC has created an exclusive online platform that enables any employee to log in via the Internet to view online videos and take psychological assessments. Participating employees can receive personalized reports and make appointments for professional counseling. The platform also features related articles that can be read online. In 2012, a total of 3,667 employees participated in online psychological testing and counseling.

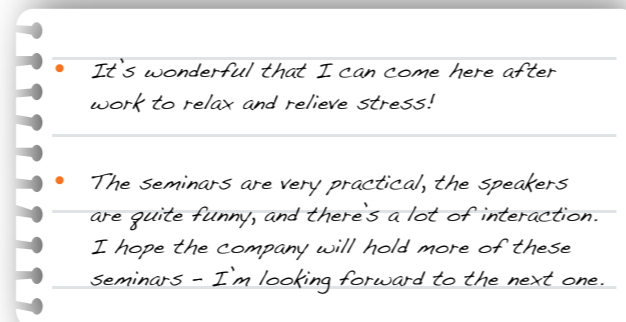
#### The Caring Bank Organized a Series of Happiness Seminars

"Enjoy the little things – Spread the happiness! Happiness is contagious!" Long before the idea of a 'happy enterprise,' CTBC was already upholding the values of caring and professionalism which are inherent to our "We are family" motto. We strive to give employees of every position the happiness of being a member of the CTBC family.

Since August 2012, CTBC has been holding monthly Happiness seminars to allow employees to enjoy a meal together after work and to take part in a series of seminars that engage the five senses. These courses include essential oil

massage (smell), sampling healthy, lean food (taste), meridian massage (touch), a magic show (sight), and inspirational talks (hearing). With regard to the talk, renowned psychiatrist Deng Hui-wen was invited to discuss communication issues and share anecdotal examples with employees. The entire series was very well received. Employees enthusiastically participated in each seminar, and the number of seminar registration applications increased each time. Statistics show that 550 employees attended our 2012 pilot and overall satisfaction was 4.54/5.00 on the Likert Scale.

#### The Following is Employee Feedback Regarding the Happiness Seminars:



Through our Happiness seminars, CTBC hopes to create enjoyment in our employees' lives. After a long day's work, the carefully-arranged seminars help relieve pressure and also enable employees to gain inner happiness in all aspects of their daily lives, including family, health and personal interests.

#### Creating a Healthy Workplace Environment

By enhancing the quality of our facilities, CTBC provides employees with peace of mind and a happy, healthy workplace environment. In order to prevent workplace accidents, CTBC developed a Code of Practice for Occupational Safety and Health in 2011, which specifies a variety of workplace health and safety standards. In addition, articles within this Code of Practice clearly and thoroughly discuss first-aid measures, instructions for use

#### 2012 Occupational Injuries and Days of Leave

Category	Number of occupational injuries	Days of occupational-injury leave	Days of sick leave	Injury rate	Absentee rate	Lost-days rate
Male	20	141.5	1,986	0.23	183.54	1.63
Female	45	631	6,841	0.52	632.22	7.29
Total	65	772.5	8,827	0.75	815.76	8.92

Note: The total number of hours worked was 17,312,920 (total number of working employees × daily working hours × actual number of working days); The number of days worked totaled 2,164,115 days (total number of working employees × actual number of working days); occupational injuries are calculated on a one-person/one-injury basis.  
 Injury rate = Number of occupational injuries/total number of hours worked × 200,000  
 Absentee rate = Number of days absent/total number of days worked × 200,000  
 Lost-days rate = Number of days of occupational-injury leave/ total number of hours worked × 200,000

of emergency equipment, and our accident reporting policy. These can assist employees in improving workplace safety and prevent accident-related injury and loss.

- Smoke-free workplace policy: To create mutual respect and a clean, comfortable workplace.
- Restricted building access: To provide daily security for employees.
- Focus on occupational health and safety: In addition to using environmentally-friendly construction materials in our buildings, we also disinfect offices on a monthly basis to reduce harmful factors and ensure comfort in the workplace. In addition, we also regularly conduct carbon emissions testing and inspect lighting to comply with environmental standards and to provide employees with a safe and convenient workplace environment.

In addition, if an employee is injured on the job, CTBC provides work-related injury leave as required by law and in accordance with the injured individual's needs. We also help the employee apply for a labor insurance claim. In 2012, 65 employees applied for work-related injury leave, which totaled 772.5 days. No occupational fatalities occurred.

#### Building Employee Health Capital

Every employee at CTBC is an indispensable member of the family, so we take the health of our employees very seriously. Because of this, CTBC offers numerous

employee health promotion services that allow busy employees to still maintain a good physical and mental balance, and create a healthy life.

- At least one day per week, we implement a 'Go Home Early Day.'
- Vitality Spas: CTBC Headquarters, the Yongji Building and the Hongtai Building are all equipped with a special Vitality Spa, which employs visually-impaired professional masseurs to help employees relieve stress. Each session is 30 minutes long and employees can simply donate NT\$50 to our charity fund. In 2012, 21,000 employees received massages at the Vitality Spas and donated a total of NT\$2.97 million.
- Physical Fitness Equipment: CTBC Headquarters and the Yongji Building provide physical fitness equipment for employees after work, thereby providing them with the means to build energy reserves to cope with future challenges.
- Free regular health checks: Employees 40 years of age and over are entitled to a free annual health check and employees 39 years of age and under are entitled to a free health check once every two years. The nature and frequencies of these health checks far exceed the standards set forth by the Labor Health Protection regulations.
- Convenient food service: The employee cafeteria provides a free daily lunch. Employees also receive

weekly beverage and snack coupons and a variety of organic produce from Yangming Mountain is available for purchase.

- Lactation rooms: To show our compassion and to care for female employees who are lactating, CTBC Headquarters, the Yongji, Hongtai and Chengde Buildings, and the Taichung Gongyi Branch all offer lactation rooms. In 2012, these rooms were used by a total of 151 employees. In addition to providing for the physical and mental health of our employees, CTBC also extends health counseling and education and training to the families of employees.

#### Creating Happy Employees

In order to create high-growth operating performance, a company must have happy employees. Over the years, CTBC has organized a variety of recreational activities to help employees obtain physical and mental balance and be happy at work and in life. For example, we have held parent-child and gender relations activities, in addition to providing free leisure areas (at our Yangming Mountain Staff Recreation Center we offer facilities including a mini golf course, swimming pool, and barbeque area).

In addition, CTBC also strongly supports employee participation in a variety of group activities. In 2012, 24 employee groups, which included clubs for English, hiking, photography, dance, and flower arranging, held a total of 1,223 activities that attracted 21,812 attendees. Large outdoor activities included the 42nd Financial Basketball Cup, CTBC Softball Club Cup, hiking to the summit of Mount Fuji, the Sun Moon Lake Cycling Congregation, and the Casual Interest in Yoga camp. Through the support of the company and the efforts of these clubs, employees have more opportunities to experience nature and take part in a variety of outdoor activities. Many employees

have been inspired to lead a healthier life, successfully challenge themselves, and realize their lifelong dreams.

#### Promoting a Culture of Volunteerism

To promote a culture of volunteerism at CTBC, we actively encourage employees to participate in volunteer activities held by our CTBC Charity Foundation. Over the years, CTBC volunteers in green vests have become a familiar sight. For example, they can be seen helping disadvantaged children with everything from homework, to English and art, and even financial management. Our volunteers have given their precious leisure time, rain or shine and on a long-term basis, in order to enjoy a sense of accomplishment from their selfless dedication, and also hoping to see a few small miracles. CTBC executives also set an example and lead staff to participate in volunteer activities and contribute to the community. CTBC directors have also been inspired by these efforts and actively participate in numerous volunteer activities.

To promote a culture of volunteerism at CTBC, we actively encourage employees to participate in volunteer activities held by our CTBC Charity Foundation. For every six hours of service, an employee earns one vacation day. Each employee can earn as many as ten such public service holidays a year—an industry high. At CTBC, volunteer service has already become an important part of our corporate culture. In 2012, CTBC granted 1,627 public service holidays, which represents NT\$3.254 million worth of additional paid leave. Since the CTBC Charity Foundation was established in 2004, a total of 20,339 days of public service holidays have been granted, representing NT\$40.678 million worth of additional paid leave.

#### Creating Gender Equality in the Workplace

The female-to-male ratio of CTBC's workforce is 16:9. A total of 60% of bank branch managers are women,

#### 2011-2012 Parental Leave

Year	2012			2011				
	Number of applicants	Number of people who returned from leave	Return rate	Number of applicants	Number of people who returned from leave	Return rate	Number retained for one year	Retention rate
Male	7	1	14%	14	1	7%	3	21%
Female	131	30	23%	118	31	26%	53	45%
Total	138	31	22%	132	32	24%	56	42%

Note:

1. Statistics are for the period ending 2012.12.31. Since some applicants have not yet been retained for a full year, the return rate does not fully represent the parental leave situation.
2. Return rate: Number of people who returned from leave/number of applicants
3. Retention rate: Number of people retained for at least one year/number of applicants

60% of total managerial positions at CTBC are also held by women, and women account for 70% of the recipients of CTBC's model employee award annually. These figures show that we provide fair competition and opportunities for development to both our male and female employees.

To achieve gender equality and provide employees with an ideal working environment, CTBC expressly prohibits any form of gender-based harassment, discrimination, or intimidation. At the same time, CTBC actively works with government programs that encourage former stay-at-home moms to return to the workforce. Such candidates are always first in mind should any of our branches or other units require cooks, part-time employees, or commission-based sales personnel. In addition, CTBC is also committed to respecting human rights. We promote and enhance the training of all employees, such as offering new-hire, security personnel, information security, internal auditing and other training courses. Moreover, by banning the use of child labor, forced or compulsory labor, prohibiting hazardous workplace environments and

taking other related measures, in addition to offering staff incentives and disincentives, we demonstrate our support for human rights.

In order to provide female employees with peace of mind and encourage a healthy balance between work and family life, CTBC also offers parental leave, childcare allowances and other benefits to ensure the rights and interests of employees, and to further promote employee family-and-work balance. In 2012, a total of 138 employees throughout the company applied for parental leave, while 1,062 employees applied for childcare allowances, which totaled NT\$13.628 million. In 2011, 42% of employees who returned from parental leave were still retained after one year.

Statistics show that the crude birth rate for CTBC in 2012 was 59%, compared to the overall crude birth rate for Taiwan in 2012, which was only 9.86%. This demonstrates that because of our benefits and care-related measures, CTBC's female employees are able to both work diligently for the company and also manage their family responsibilities.

## Employee Awards

### Model Employee Awards

Since 2005, CTBC has been selecting employees to honor with annual Model Employee Awards. To date, a total of 297 model employees who embody the core CTBC values of caring, professionalism, and reliability have been chosen:

- Caring: Uphold the principles of friendly service, customer care, and employee needs.
- Professionalism: Thinking in terms of innovation and the pursuit of excellence.

- Trustworthy: Put the team first, uphold the principle of good faith, and win recognition and praise.

Through this award program, employees are publically recognized for their outstanding performance. The award ceremony and banquet, attended by award recipients and their families, is hosted personally by our Chairman and senior executives. After the ceremony, the model employees and their families also receive a vacation so they can enjoy a vacation together. The Model Employee Award is the greatest honor to

which all CTBC employees aspire to. The VIP awards ceremony and banquet are not only very exciting for our employees; they also instill in employees and their families a deeper commitment to CTBC and a stronger sense of belonging.

### Golden Holiday Rewards

To thank employees for their years of contribution and service to CTBC, at the five and ten year marks employees are given a golden holiday: five consecutive days of paid vacation. We hope that employees will enjoy their well-deserved breaks.

### Diamond Holiday Awards

In order to give our employees the opportunity to expand their horizons, after 15 years of service and every five years thereafter until their 30th anniversary, employees receive a Diamond Holiday airplane ticket valid for one year valued at from NT\$30,000 to NT\$50,000 and the services of a travel agency to plan the perfect holiday for themselves and their families.

### Senior Employee Recognition

To thank employees for their long-term contributions to the company, CTBC has a Senior Employee Recognition System. After completing five years of service or more, employees are given badges and a mobilization meeting is held or other public praise is given. In 2012, about 1,400 employees were recognized for this honor, while the annual average is about 1,200 to 1,300 persons.

### Public Club Recognition

Staff mobilization meetings are held regularly and public recognition is given to outstanding club members and volunteers. We hope these meetings will encourage our employees to make a contribution to society, even after a long day's work.



The selection and celebration of model employees stimulate CTBC staff to tirelessly pursue excellence.



Members of the CTBC Bicycle Club and kids from the Little Seedlings take part in the Dongfeng Green Bicycling Expedition.

## Corporate Happiness Awards



CTBC operates under a 'caring corporation' philosophy, and our purpose is to align employee happiness with that of the company. Since we began implementing various programs, we have not only won employee praise, we have also received numerous encouraging awards. For example, in 2011 we were awarded Favorite Domestic Bank by Wealth Magazine's financial brand survey and Asiamoney's Best CSR Award. In 2012, we were honored with Commonwealth's Corporate Citizen Award, Corporate Governance Asia's Best CSR Award, Taipei City Government Department of Labor's 2012 Happy Enterprise Award, the Taiwan Stock Exchange Corporation's Top 10 of Taiwan Employment Creation 99 Index, First Place in Business Today's Wealth Management Banking Survey for the fifth year, and the Ministry of Economic Affairs Industrial Development Bureau's Top 20 Innovative Organizations in Taiwan. With respect to awards, CTBC had a record-breaking year in 2012.

CTBC is not only a distinguished financial enterprise; it is also a close-knit family. CTBC employees do not just work for the company, but rather every member is part of the CTBC family, working together for the shared glory of the company to create a better future. CTBC deeply believes that only by having happy employees can you have a happy company. When employees are happy, they provide the highest quality and most-comprehensive financial service to customers. As we look toward the future, CTBC will continue our commitment to spreading happiness.



## Environmental Protection

CTBC has always been committed to fulfilling its corporate social responsibility duties. Due to the growing problem of global warming, climate change issues are now a major concern of global enterprises. In light of this, CTBC has sponsored an adopt-a-park program, and has taken internal steps to promote energy conservation and reduce carbon emissions since 2001. Moreover, in 2012, CTBC became Taiwan's first financial institution to obtain an ISO 50001 Energy Management System. CTBC's comprehensive implementation of environmental action programs and active participation in the Carbon Disclosure Project (CDP) attests to the fact that we are a green financial institution that strives to do our part for the environment.

Because CTBC is a financial holding company, at first glance, it seemingly has no significant relationship to the environment. However, we are in fact engaged in a peaceful environmental revolution. Everyone at CTBC, from internal staff to external customers and vendors, fulfills his or her responsibility to the environment, because we believe that even small actions can accumulate to bring about enormous changes and positive results!

As a global corporate citizen, CTBC understands the importance of carbon reduction, environmental protection, and sustainable development. Since 2001, CTBC has been adopting parks to encourage employees and clients to enjoy green living; we have also been internally promoting energy conservation and carbon reduction. CTBC also fully supports the Government's sustainable energy policy, as evidenced by our ongoing internal greenhouse gas inventory and participation in the Carbon Disclosure Project (CDP). Moreover, in 2012, we became Taiwan's first financial institution to obtain an ISO 50001 Energy Management

System (EnMS). The introduction of the ISO 50001 EnMS has improved energy efficiency and reduced energy costs, and we are committed to reaching a 5% reduction in energy consumption within three years. CTBC's new corporate CTBC Headquarters in Nangang, scheduled to be completed in 2013, has not only made provisions for a 3,600 square-meter park in the surrounding area, the building itself has also been declared Taiwan's first diamond-level green office building.

### ISO 50001 Energy Management System

CTBC's commitment to the concept of 'Green Policy, Green Future,' means we have implemented a range of environmental protection measures. In July 2012, Taiwan's Bureau of Energy, Ministry of Economic Affairs (MOEA) selected CTBC as a model ISO 50001 enterprise. CTBC was also Taiwan's first financial institution to become ISO 50001 certified. We aspire to be a model financial institution in the field of energy management, and through our efforts, lead and inspire Taiwan's financial industry to take the issues of

energy conservation and carbon reduction more seriously.

Obtaining ISO 50001 EnMS certification was not an easy task. With the guidance of the Taiwan Green Productivity Foundation (TGPF), CTBC established an Energy Regulatory Commission to oversee the completion of the objectives and tasks of each phase. Additionally, energy management training courses for employees, which teach methods for reducing energy consumption, have been offered. Through these efforts, we can reduce costs and greenhouse gas emissions, thereby achieving the following sustainable and environmentally-friendly objectives:

- Continuous improvement of energy conservation, with a target of reducing energy consumption by 5% within three years.
- Complying with energy regulations and expanding green procurement.
- Conducting education and training to actively reduce energy consumption and carbon emissions.
- Integrating resources and implementing an energy management action plan.

In the first year, our plan is for the CTBC Yongji Building and the Shuanghe Branch to set the standard for environmentally-friendly financial institutions. Using these two locations as a benchmark, we will expand the scope of ISO 50001 EnMS branches each year. In 2013, this plan will be implemented in 16 branches throughout Taiwan. In the years that follow, an estimated annual rate of more than 15 branches will be added, such that within five years all of CTBC's 147 branches will be fully incorporated into the ISO 50001 EnMS.

In addition to implementing the ISO 50001 EnMS, CTBC, along with other corporations from the financial, restaurant and footwear industries, participated in a voluntary energy conservation conference held by the Bureau of Energy, MOEA in August 2012. At the conference, CTBC pledged to reduce energy consumption by 5% within three years, which

will save 960,000 kWh. As of December 2012, the Yongji Building and the Shuanghe Branch's total consumption of electricity was 5.35% lower than the annual baseline consumption rate, thereby saving 1.026 million kWh and reducing carbon emissions by 550.2 metric tons per year. In three years, the company as a whole hopes to have saved a total of 3.38 million kWh of electricity and reduced carbon emissions by 1,812 metric tons – equivalent to the total annual carbon absorption of ten Da-an Forest Parks.

### 2012 Energy Conservation Management. The Total Electricity Consumed Compared with the Baseline Year Dropped 5.35%, Totaling 1.026 million kWh.

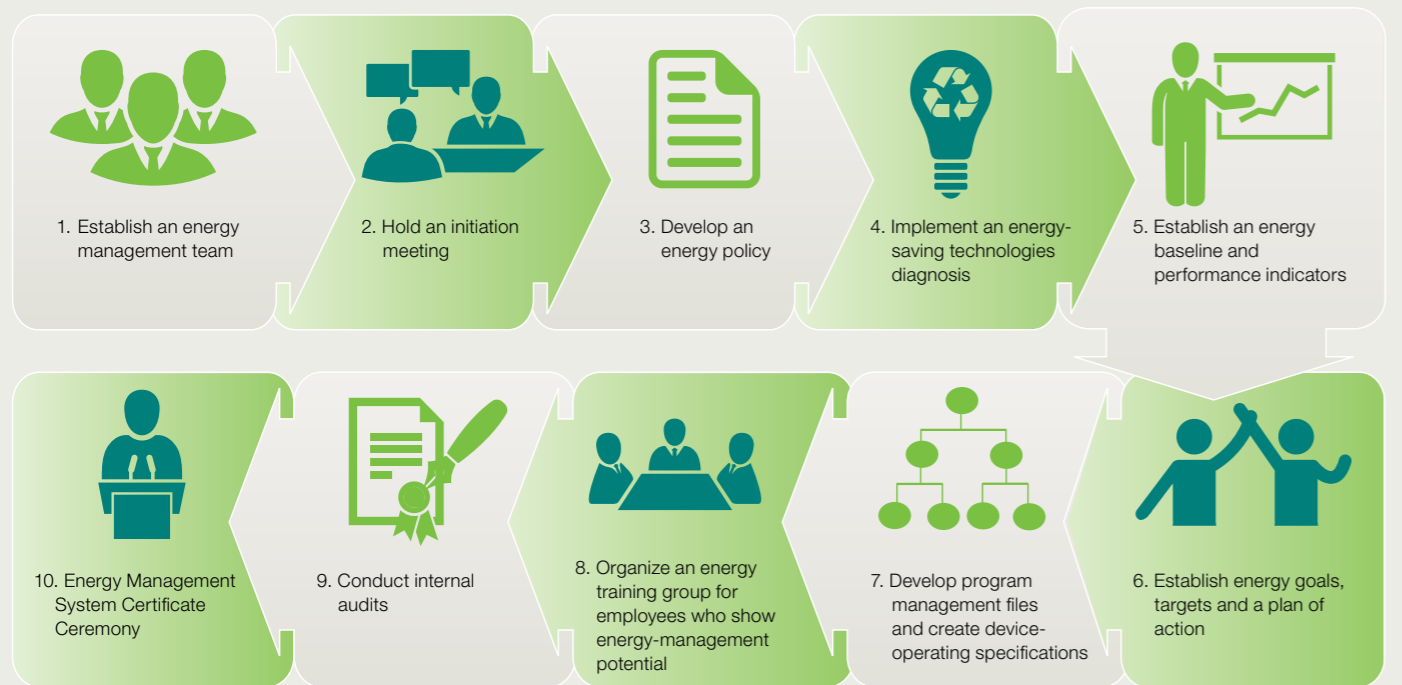
	Annual Energy Consumption (kWh)			
	Yongji Building	Yongji Generator Room	Shuanghe Branch	Total
2010	8,806,649	10,123,690	331,766	19,262,105
2011	8,608,421	10,233,670	305,546	19,147,637
Baseline Year (2010-2011 average)	8,707,535	10,178,680	318,656	19,204,871
2012	7,951,132	9,936,911	290,308	18,178,350
Nominal Difference	-756,403	-241,769	-28,348	-1,026,521
Percentage Difference	-8.69%	-2.38%	-8.90%	-5.35%

In 2012, CTBC carried out a total of eight energy-conservation initiatives, including the use of high-efficiency energy saving lights and replacing old air conditioner mainframes. At the Yongji Building, even more measures have been taken, such as turning lights off for 30 minutes at noon and replacing fluorescent lighting with more energy-efficient lighting. This has saved an estimated annual 521,975 kWh.

### Expanding Our Greenhouse Gas Inventory

Greenhouse gas emissions can be clearly measured by taking inventory, and developed countries are now promoting greenhouse gas emissions inventories as basic

### 2012 ISO 50001 Energy Management System Program Guide (Implementation Guide)



**2011-2012 Total Carbon Emissions Statistics Table**

**(Including CTBC Headquarters & all Regional Centers & Branches)**

Category	Indirect Energy		Direct Energy			
	Energy Consumption (kWh)		Gasoline (L)		Natural Gas (m³)	
Year	2012	2011	2012	2011	2012	2011
CTBC Headquarters	10,644,000	10,468,800	174,778	181,612	27,057	13,909
Yongji Building	18,209,112	19,026,666	-	-	-	-
Other Branches	40,924,665	39,510,835	-	-	-	-
Subtotal	69,777,777	69,006,301	174,778	181,612	27,057	13,909
CO2 Emissions Conversion Factors (NEA)	0.536		2.09		2.26	
Carbon emissions (in metric tons of CO2)	37,400.89	36,987.38	365.29	379.57	61.15	31.43
2012 increase (decrease) in CO2 emissions (subtotal)	413.51		(14.28)		29.71	
2012 direct & indirect energy increase (decrease) (subtotal)	413.51		15.43			
2012 increase (decrease) in CO2 emissions (total)	429					

**Notes:**

1. Since the Yongji Building and other premises are not equipped with kitchens, natural gas consumption is zero.
2. Official vehicles only leave from the CTBC Headquarters, so the gasoline consumption for the Yongji Building and other premises is zero.
3. "Other premises" include regional centers and all of CTBC's 147 Taiwan branches.
4. The learning and development center in Linkou is located in a commercial office building. However, since the building's management committee uses a ping cost-sharing basis, it is not possible to obtain the data on kWh usage. Therefore, the cost per kWh is extrapolated based on kWh usage at Cheng Lake Building, which is a comparable building.
5. Since CTBC does not own any transport vehicles, and in 2012 emergency generators were only turned on for routine testing, diesel usage is not included in the data.
6. CTBC Headquarters air conditioners do not use environmentally-friendly refrigerant R134.
7. In 2012, due to the number of branch increases, power consumption increased compared to that of 2011. In 2011, the CTBC Headquarters suspended staff cafeteria meals for four months, causing natural gas use to decrease. Novel Hall at CTBC Headquarters was closed for renovation in the second half of 2011, thus reducing energy consumption.

practice. Since 2009, CTBC has been taking inventory greenhouse gas emissions. A standard procedure for taking inventory, initially based in the CTBC Headquarters, was developed in 2011. The site of the new headquarters, the Yongji Building, has set a target to reduce carbon emissions by 5% within three years. In 2012, we began extending the inventory throughout Taiwan, and for the first time, included our northern, central and southern regional centers and branches in the ISO 50001 EnMS statistics. Based on this, we re-adjusted goals, and hope that by successfully implementing greenhouse gas inventories in all 147 branches in Taiwan, our target of reducing energy

consumption by 5% can be achieved. In this way, we can not only better understand each region's energy consumption situation; we can also further implement and improve energy conservation measures. Our actions both demonstrate CTBC's determination to implement carbon inventory, and also write a new page for the overall financial industry's inventorying of greenhouse gas emissions.

**Carbon Management Strategy**

**The Carbon Disclosure Project**

In addition to being Taiwan's first financial institution to diligently document carbon emissions, since 2010, CTBC

has actively participated in the Carbon Disclosure Survey Project (CDP), which was launched by international mainstream corporate investment institutions. In 2012, CTBC was invited to become a CDP signatory, making us Taiwan's first financial institution to support the CDP and to put words into practical action. At the end of 2012, financial institution CDP signatories totaled 655 worldwide. CTBC, as Taiwan's first CDP signatory, hopes to be the voice and guiding light for others in the financial industry as we work together to jointly address climate change issues. In addition, in order to strengthen our environmental protection strategy and implementation, CTBC commissioned the Taiwan Business Council for Sustainable Development in December 2012 to hold an educational training session on Climate and CSR in the Banking Business. Through such training, we seek to improve manager and employee understanding of related issues in the hopes that this awareness will be reflected in company policies and allow us to achieve our goal of sustainable corporate development.

**Energy-Efficiency Health Check**

Statistics show that above-ground buildings account for 40% of global energy consumption. Therefore, with this in mind, CTBC is improving our own office buildings. In May 2011, we commissioned the Taiwan Business Council for Sustainable Development's 'Energy Saving Patrol' to perform an energy-saving analysis of our CTBC Headquarters. This consultation with external experts provided us with an even more innovative improvement plan, which includes utilizing LED lighting and time-controlled switches and replacing our chiller in order to reduce energy costs.

**Energy Conservation Education & Training**

The Human Resources Department has organized a series of Carbon Management and Trends training courses and has invited experts and scholars to give talks. In

this manner, CTBC hopes to fully allow the company, from top to bottom, to completely and consistently implement environmental protection. In 2011, CTBC also commissioned the Taiwan Business Council for Sustainable Development to hold an educational training session on Carbon Management Trends and Practices in the Financial Industry in the hopes that this awareness will be reflected in company policies and allow us to achieve our goal of sustainable corporate development.

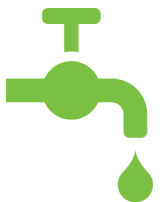
**Energy Management**

In 2012, CTBC continued to promote environmental protection and energy conservation through efforts such as internal water management and waste disposal, and by conserving water and electricity. CTBC also called on each and every employee to practice environmental protection at all times in order to contribute to environmental sustainability.



**Water Management**

- **Wastewater Treatment:** kitchen, kitchenette and restroom wastewater purification meets Taiwan's Environmental Protection Agency (EPA) sewage treatment standards.
- **Conserving Water:** In order to conserve water, beginning with the CTBC Headquarters, the restrooms on each floor have been installed with water-saving taps, optional high-efficiency pumps or variable-frequency motors, a urinal flushing system, and photoelectric sensors to adjust the amount of water used. These measures have been taken with the ultimate goal of reaching our water-conservation targets and we will continue to extend them to other branches, both at home and abroad.
- **Water Safety:** CTBC cleans our office building water towers annually to ensure the quality of our tap water. In addition, water quality testing is performed every



three months to ensure that the pH and chlorine levels are within standard levels. The current CTBC Headquarters has a total of 42 drinking water dispensers distributed over all floors. Each week, the filters are cleaned and they are replaced once every two months to ensure water quality.

- **Effects on the Water Supply:** 100% of CTBC's water is supplied by the Taiwan Water Corporation, and no groundwater or other sources of water are used. The water used in our office buildings and other service locations is restricted to employees and clients, and therefore does not have a significant impact on the water supply. After use, the wastewater flows through municipal sewers to rivers and the ocean. In 2012, water consumption for our CTBC Headquarters and the Yongji Building was 116,184 m<sup>3</sup>.

#### Waste Management:



- **Waste Sorting:** Waste generated at CTBC offices is classified as general waste, recyclables, and food scraps waste. Recyclables (which include spent batteries, paper, plastic, metal, bottles, and cans) make up the largest proportion of overall waste. After employees perform basic sorting, the building's property management company then further sorts the waste by type and stores it. Finally, the relevant recycling firms are contacted to pick up recyclables and general waste is picked up by a qualified waste disposal company that then transports it to an incinerator for processing.
- **Waste Reduction Measures:** More bulletin boards are being used in order to reduce the amount of photocopies distributed. Envelopes, cardboard boxes and paper bags are reused, and toner cartridges are sent to the vendor for recycling. An electronic signature process has been implemented to reduce the number of copies made and papers sent back and forth, and as

much as possible, clerical paper (including copy paper) is printed on both sides. In addition, we encourage employees to bring their own cups and eating utensils to reduce the amount of paper cups and disposable tableware used. Statistics show that in 2012 the waste generated by the CTBC Headquarters and the Yongji Building totaled 223, 518 kg.

- **Recycling Activities:** To do our part for the environment, CTBC began using recycled paper to wrap banknotes many years ago, and has proceeded to adopt a comprehensive plan for using recycled photocopy paper. In addition, our toilet paper is all FSC or PEFC certified. In 2010, CTBC began using envelopes and business cards printed on recycled paper, thereby implementing environmentally-friendly measures. In addition, all photocopiers in CTBC feature recycling racks and we encourage employees to recycle and reuse paper. In 2012, CTBC recycled 70,717 kg of paper.

#### Energy Conservation Management



- **Elevators:** Some elevators are turned off after hours, during off-peak hours and on weekends and holidays (on weekends and holidays two elevators each serve the high and low floors). In addition, employees are fully encouraged to take the stairs for exercise.
- **Lighting:** The neon advertising signs for all 147 of CTBC's Taiwan branches are operated by timer switches that turn them on when the banks open and off when they close. In 2012, our new branches switched from T5 lighting to LED energy-saving lighting on a trial basis. For enhanced visibility in the CTBC Headquarters parking lot, lights were lowered and the spaces among light fixtures were adjusted to reduce the overall number of lights. Lights above secondary spaces (such as above parking spaces) were disconnected. In general office space, high-efficiency fluorescent

light fixtures and electronic ballasts have been installed. Kitchenettes and other low-traffic areas have been equipped with thermal motion sensor lights. The times lights are used in the interiors of our office buildings have been adjusted to conserve energy, and gradually each building's evacuation signs in public areas will be changed to an LED light indicator. Our office buildings continue to conduct regular nightly inspections on each floor ensuring that unnecessary lights are turned off.

- **Air Conditioning:** regular cleaning and maintenance of air conditioners is done in order to ensure optimal performance. Building thermostats are currently set at 26°C. The central air conditioning system is turned off at 19:00 and each building must apply for permission to use electricity after hours. Operating times for parking lot exhaust fans have been adjusted, ice storage air conditioner chillers have been replaced (4,200 tons of ice are created each day, which can cool the building for six hours and is enough to meet each building's needs), air-conditioning cooling towers have been replaced, and additional pre-cooling air conditioning units have been added, thereby providing fresh, cool air on each floor. Pre-cooling air-conditioning systems help to both lower indoor air temperature and improve air quality. All of our offices also enforce a no-smoking policy to maintain clean air in our buildings.
- **Carbon Reduction Campaign:** In response to the 'One Movement' campaign, we encourage employees to abstain from red meat one day per month to promote

a plant-based diet and combat global warming. Emails are sent to employees on a quarterly basis to advocate our recycling and energy conservation policy, which encourages employees to carpool when conducting official business and to increase the use of teleconferencing and other technology to reduce carbon emissions arising from transportation. In addition, since 2010, CTBC has teamed up with the Taiwan Society of Wilderness to protect the environment, and in 2012 we jointly participated in the World Wildlife Fund's (WWF) Earth Hour campaign. The night of the event, CTBC headquarters and all of its 147 Taiwan branches simultaneously turned off the lights for one hour, resulting in a decrease of approximately 579 kg of carbon emissions, thus reaffirming our commitment to protecting the Planet.

CTBC Headquarters (including Novel Hall) has a total of 636 ABC dry powder fire extinguishers (>70% ammonium dihydrogen phosphate) and no halon fire extinguishers. There are four air conditioning units utilizing R22 coolant. In 2012, total annual emissions were 200 kg.

Furthermore, CTBC was not penalized monetarily or otherwise for violating any environmental protection laws or regulations in 2012, and none of the land that our company owns, leases, or manages is protected land nor does it contain habitats for protected wildlife. Therefore, CTBC does not have any adverse impact on ecological protection.

#### 2010-2012 Recycling Statistics

Unit: kg

Year	Paper		Plastic Bottles		Cans	
	Headquarters	Yongji	Headquarters	Yongji	Headquarters	Yongji
2012	42,730	27,987	1,190	1,317	470	508
2011	55,125	34,156	1,330	809	498	183
2010	52,770	43,687	1,261	1,591	897	479.8

### Loan Policy

Lending is one of the most important functions of the financial industry. For CTBC, a key evaluation criterion for any business seeking a loan is whether or not that business is environmentally responsible.

In February 2007, CTBC established our Financial Credit Risk Guidelines and Enforcement Rules governing loan operations. These guidelines are consistent with the spirit of the Equator Principles (EPs). The problem of climate change and its impact on ecosystems has been gradually worsening over the past ten years and these problems continue to become more serious. For these reasons, CTBC reaffirmed its internal credit policies in 2012, requiring our relevant business units to assess the amount of wastewater, carbon emissions and other environmental pollution generated by loan applicants. In doing so, we hope to stop the problem at the source in order to avoid further pollution-related issues.

In December 2012, the Board adopted the CTBC Financial Holding Company Credit Risk Management Policy, which expanded CTBC's support for lending to green and environmentally-friendly enterprises. The Policy is aimed at promoting business, while also taking into account our commitment to corporate social responsibility.

For project financing, CTBC also requires that the borrowing firm provide an environmental impact analysis report which has been approved by the relevant authorities. In the contract, the loan recipient firm agrees to fulfill in a timely manner the commitments made in the project's environmental impact statement and agrees to undertake environmental protection measures and plans stipulated by the competent authorities. General corporate loan contracts clearly state that the borrower must agree to follow environmental protection, pollution prevention,

and waste disposal laws and regulations and to obtain the necessary approval. In 2012, CTBC arranged five syndicated loans for solar photovoltaic energy industry firms totaling NT\$8.48 billion.

### Risks and Opportunities

The issue of climate change has attracted unprecedented attention and concern in recent years. Because of this, CTBC provides green energy funds and related services, thereby giving customers more investment options. However, due to free-market mechanisms, while the future may bring green energy revenue opportunities, the potential for loss also exists.

### Green Procurement

Our commitment to environmental protection begins with our most basic operations, so CTBC implements green procurement practices. We pay special attention to labels when purchasing products and equipment and look for environmentally-friendly, energy and water conservation, and green building materials labels which are recognized by government agencies or public associations.

### Energy-Efficient Product Procurement

We procure Green Mark certified products and office supplies (such as refrigerators, water dispensers, computer equipment, multi-function printers, projectors, photocopy paper, toner cartridges, envelopes, bags, etc.), as well as eco-friendly products with energy and water conservation labels (such as inverter air conditioning units, sanitation equipment and high-efficiency lighting). In addition, our envelopes are printed on recycled paper, we reuse and recycle toner cartridges, some indoor florescent lighting has been replaced by more energy-efficient LED lights, and our sanitation equipment companywide is Green Mark certified to reduce water usage.

### Green Building Materials

In order to promote the health of our employees and provide a healthy workplace, CTBC takes care to procure interior design building materials that are Green Mark certified. Moreover, when drawing up requirements for a construction project up for bid, we instruct building contractors to utilize raw building materials that are safe and green. These requirements include: renovation projects must widely use green raw materials such as moisture-resistant particle board, F1-class low-formaldehyde plywood, flame retardant materials, low-pollution mineral fiber ceilings, gypsum board, calcium silicate board, floor tiles, paint and other eco-friendly construction materials in order to comply with environmental requirements. Renovation adhesives used are now non-toxic and non-polluting.

In 2012, a total of NT\$101.469 million was spent on green procurement, compared with NT\$77.4 million in 2011. This represents an annual increase of NT\$24.066 million, or 31%. In 2012, green expenses totaled NT\$103.332 million (including NT\$101.469 million spent on green procurement, NT\$986,500 spent on Songzhi Park floral maintenance and updates, NT\$68,000 to maintain the trees and flowers surrounding the Yongji Building, and NT\$808,257 spent on waste disposal for CTBC Headquarters and the Yongji Building).

### Green Building Materials & Green Building

Green building is fast becoming the future of the construction industry and is a very important environmental issue. Because of this, CTBC took the environment into consideration when repairing the CTBC Headquarters exterior walls. We have gone even further with the construction of the new corporate headquarters in Nangang by making the architectural design more energy and water efficient and by reducing carbon emissions. In this way, we hope to inspire the financial

services industry and establish a benchmark model in the hope that others follow suit.

### New Corporate Headquarters in Nangang

In January 2009, CTBC broke ground for its new corporate headquarters in the Nangang Economic and Trade Park. From the early stages of planning, CTBC's objective was to construct a green building, and requested the Tokyu Construction Co., Ltd. to do an overall carbon emissions reduction assessment. The building was approved by the Taiwan Architecture & Building Center (TABC) and conforms to Taiwan's EEWH eight green building certification system standards, which are: the building's amount of greenery, water conservation, daily energy savings, carbon emissions reduction, waste reduction, indoor environmental quality, water source, and sewage treatment methods. The building's estimated annual carbon sequestration will be 92 metric tons. For these reasons, in July 2010, the building obtained a gold-level green building candidate certificate, which would make it Taiwan's first green office building. A green building from birth, it will have a positive impact on the environment and help reduce carbon emissions.

CTBC, in addition designing the new corporate headquarters to be a green building, will also adopt 3,600 pings of the building's surrounding parkland, and is planning to establish cherry and pine forests, wetlands, marshes, lawns, streams and other diverse landforms in the hope that by planting a variety of different species, we can both create recreational pleasure and recreate Taiwan's forests in miniature. By the end of 2013, CTBC hopes to have relocated to our new corporate headquarters in Nangang. After the relocation is complete, we will conduct greenhouse gas inventory and certification work. Once the new corporate headquarters in Nangang is completed, we hope it will have become a diamond-level green building and will have received LEED certification for existing buildings by 2014.

## Full Implementation of Paperless Policy

### ATM Green Energy Measures

Since 1999, all CTBC ATMs have switched to thermal paper receipts, thereby eliminating the need for toner cartridges or ink. Also, SGS testing shows that our ATM thermal paper does not contain Bisphenol-A (BPA). Since 2000, customers have been given the option of an ATM accounts query, which displays the balance on the screen. In 2005, the ATM Journal was upgraded to the Electronic Journal, allowing customers to view transactions in chronological order. This has allowed us to save both paper and space. In 2007, CTBC invited the public to join us in saving the Earth, and our ATM screens began offering customers the option to forgo printing a transaction receipt, thereby dramatically reducing the number of printed receipts. After several years, other domestic banks also began offering this option, and now more than half of all customers choose this service.

### E-Billing & E-Statements

In 2009, CTBC began implementing paperless operations, and by the end of 2012, both credit card bills and bank statements became available online. Currently, nearly 15% of our customers, or 1 million people, have gone paperless. Moreover, other methods such as the Multiple Message Advice System (MMAS), electronic employee stock statements, and Code Fax all utilize EDM to transfer information, and are currently completely paperless.

### Expanding E-learning Courses

Since 2004, CTBC has been implementing E-learning, which has proved very effective to date. In 2012, for example, online courses numbered 1,169, and trained a total of 59,005 employees, which is four times the number of employees attending traditional classes. Compared to 2011, when the total number of online classes was 850 and the total number of students was 43,000, 2012 saw a substantial growth of 37%.

### Encouraging Customers to Use E-Services

In 2012, CTBC launched an initiative to encourage customers to utilize e-services. The 'Use E-services, Plant Trees' campaign committed to plant one tree for every 5,000 customers who signed up for online banking, mobile banking, e-statements, automatic credit card payment deduction, or electronic utilities payment services. Over 400,000 customers participated and 100 trees were planted at the Mennonite Christian Hospital's Shou-Feng Senior Citizens Community in Hualien. By taking concrete, positive steps to protect the environment, CTBC reaffirms our love for the Earth. In 2012, paper-saving measures in our retail and corporate banking and related business operations (including e-statements, fax, and electronic employee stock statements) helped us save 31 tons of paper. This is equivalent to saving 629 trees and reducing carbon emissions by over 7,500 kg.

### Energy-Saving Customer Service Measures

CTBC's toll-free customer service hotline is based on an interactive voice response (IVR) system. Customers can use the menus on the phone system to request all types of application forms and documents via email. Each year, calls for this type of service comprise 7% of all calls made to the hotline. This service can help both to conserve paper and to reduce mail delivery energy use.

- IVR self-service system: Customers wishing to cancel credit cards can utilize the IVR system to confirm the cancellation, thereby conserving paper and reducing mail delivery energy use.
- Paperless customer information program: All types of application forms and documents required by customers that were once sent via fax are now emailed instead.
- Service center staffing management: In the past, both the Taipei and Taichung service centers operated weekend and late shifts. Since 2010, only one center operates during such periods to reduce energy consumption. A total of 2,785 employees' shifts have

been adjusted, thereby reducing electricity and air conditioning use.

### Adopt-A-Park



From 2001 to 2006, CTBC adopted Taipei's CKS Memorial Hall Park, and from 2006 to date, CTBC has adopted Songzhi Park. Over the years, in addition to maintaining these rare green oases in the midst of bustling Taipei, we also decorate them for different holidays. Within Songzhi Park, there are nine different species of nearly 150 trees, ten kinds of flowers which bloom in different seasons, as well as a diverse array of birds and butterflies, which create a happy, romantic pocket of greenery in Xinyi's business district. The park is not only an important venue for CTBC's charity events; it is also the best place for people in Taipei to relax on the weekends.


Every December, CTBC holds its annual 'Light up a Life' fundraising campaign, which helps spread the warmth of love to people in need. The paths and trees surrounding the CTBC Headquarters and Songzhi Park are decorated with a colorful festive theme, the style of which varies from year to year. Pedestrians often stop to admire the decorations, and in so doing, interact with each other. Through these decorations, we convey the meaning of love behind our fundraising activities, and also make the streets more beautiful.

## Green Reputation

Since 2007, CTBC has published an annual Corporate Social Responsibility (CSR) Report. CTBC was Taiwan's first financial institution to be certified by the British Standard Institution (BSI), and in May 2010 was presented with an award by Taiwan's Environmental Protection Administration (EPA) for enthusiastically promoting green consumption. Because of CTBC's comprehensive green procurement program, from 2009 to 2012 we were named an Outstanding Enterprise each year as part of Taipei City's Green Procurement Plan for Private Enterprises and Organizations, which is an affirmation of our environmental policies and their implementation.


In response to the 'One Movement' campaign organized by Taiwan's Business Council for Sustainable Development (BCSD), we encourage employees to abstain from red meat one day per month in order to promote a plant-based diet and to combat global warming. By endorsing this concept, we can achieve the dual goals of becoming healthier and reducing carbon emissions. Moreover, because of our efforts, CTBC was awarded a Taipei City Government Certificate of Appreciation in 2010.






**Daily Energy Consumption**

- Low-E window coatings block solar radiation
- Ice storage air-conditioning, energy-efficient air conditioner mainframe, hot water is supplied through a heat recovery-heat pump system, ice water circulation pump, use of total heat exchangers and inverters



**Carbon Dioxide Reduction**

- Lightweight design, including steel body construction, lightweight partition walls, and metallic glass curtain walls
- Use of durable building materials
- Rooftop water tower utilizes modular water tanks




**Indoor Environment**

- Ventilation is sourced from outdoor air
- Exhaust system will be equipped with piping and ventilation




**Sewage Treatment**

- Kitchen uses a grease trap design and used water flows directly into the sewage system
- Food scraps are deposited into a centralized processing device
- Equipped with waste chilling, freezing or compacting pre-processing equipment, waste separation and recycling




**Waste Reduction**

- Reduced construction waste
- Restroom and other plumbing share an output source, thus reducing piping




**Greenness**

- Planting design is divided into two zones. Zone A weighs 1.471 million kg, exceeding the standard value by 46%. Zone B weighs 2.684 million kg, exceeding the standard value by 98%.
- The shrub area is 1,795m<sup>2</sup>, the lawn area is 2,854m<sup>2</sup>, and a total of 317 trees were planted



**Water Conservation**

- Green-coated, permeable pavement and storm water retention designs
- Catchment penetration space, landscape pools, underground gravel, drains, catch basins and lateral groove design



**Water Source**

- Rainwater recycling system and Green Mark restroom facilities



## Community Services

If CTBC were a locomotive, the energy propelling us forward would be a passion for public service. Over the past 30 years, CTBC has continually invested human and material resources to assist disadvantaged children and families, support cultural activities, and sponsor athletic training and competitions. Each new event launched is like another car added to our speeding train as we power ahead. Our genuine concern has touched society and has changed it for the better.

Over the past 30 years, CTBC's commitment to society has never wavered. Our ever-expanding efforts continue to impact a growing number of people. From our Light up a Life fundraising campaign to the Poverty Alleviation Program, from establishing a charity foundation to running the country's public welfare lottery, from building the performance venue Novel Hall to sponsorship of Taiwan's cultural creative industry, from nurturing the talents of young golfers to hosting international sporting events, CTBC has remained steadfast in our support of disadvantaged families, care for disadvantaged children, promotion of local arts and culture, and support of Taiwanese athletics.

Our support does not end with a donation. Instead, we implement ongoing programs and continually invest

professional human resources, to empathetically and selflessly address these issues. Ours is a very important mission, and while not impossible, it is still a difficult one. Therefore, CTBC considers every step extremely carefully. We work to support our causes through seven separate avenues: Poverty Alleviation Program, Light up a Life, Public Welfare Lottery, Philanthropy, Overseas Aid, Promotion of the Arts, and Athletic Sponsorship. Our dream is to make our society a happier place.

### Poverty Alleviation Program

In order to actively assist more disadvantaged families to escape poverty, CTBC has harnessed the spirit of Nobel Prize winner Muhammad Yunus and the microloans offered by his Grameen Bank. In July 2011, we launched Taiwan's

first private sector poverty alleviation model, an innovative program to assist disadvantaged families in starting their own businesses. With the help of CTBC's Poverty Alleviation Program, Taiwan has already seen several new businesses flourish, with more on the way, that are helping to make families dreams come true. Through this shared dream, families participating in this program come together as one to work towards their bright new future.

### An Innovative Assistance Program

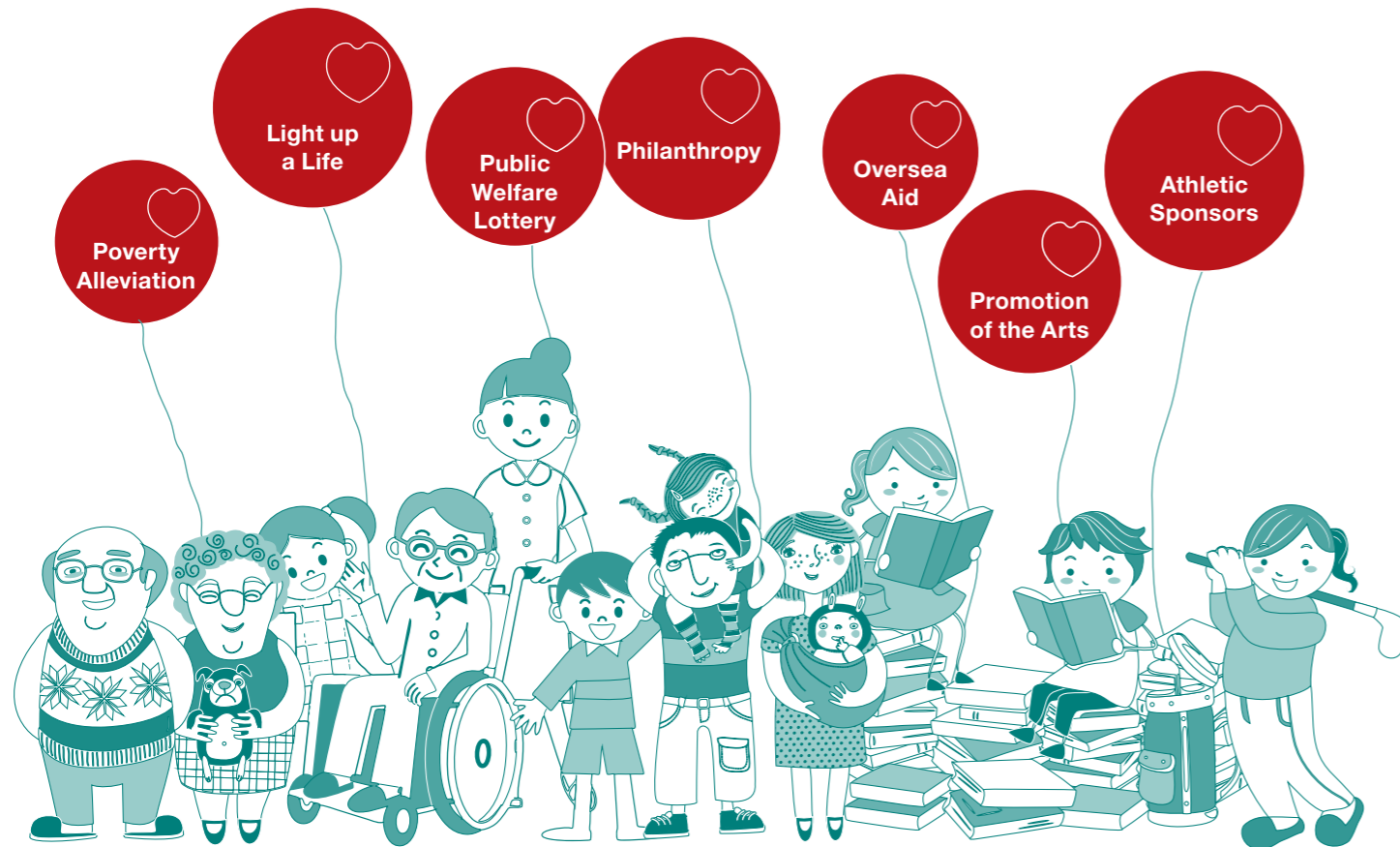
CTBC's Poverty Alleviation Program is different from other entrepreneurship microloan programs. Ours is the first that requires zero down payment, no startup money, and no existing storefront. We help disadvantaged families, who are starting from zero, open their own businesses. With our

low interest, no guarantor, staged disbursement loans and entrepreneurial guidance, we can maximize the success rate of the newly started companies. CTBC plans to invest an estimated NT\$100 million in this program to provide entrepreneurial microloans to disadvantaged families receiving assistance from the Taiwan Fund for Children and Families. We expect to assist more than 200 disadvantaged families to become independent, which will improve the lives of over 1,000 people and help them get back on track.

The Poverty Alleviation Program does not require a guarantor or for families to put up any collateral. The maximum loan amount is NT\$500,000 and the maximum repayment period is seven years (this includes a one-year grace period during which borrowers only pay interest and nothing towards the principal). The interest rate for the loans is set at the current CTBC savings account interest rate plus 0.5%. At the end of April 2013, the Poverty Alleviation Program interest rate was 1.88%, lower than the average mortgage rate of 2% for the same period, which helps to reduce the stress and debt burden on disadvantaged families who start their own businesses. The interest received from the loans is reinvested in the Poverty Alleviation Program account to give opportunities to even more disadvantaged families.

### Multiple Support Systems

CTBC's Poverty Alleviation Program combines support and resources from a variety of organizations including CTBC Charity Foundation, CTBC Bank, CTBC Life, Taiwan Fund for Children and Families, Small and Medium Enterprise Credit Guarantee Fund of Taiwan, and our entrepreneurial consultant team. CTBC Charity Foundation serves to coordinate these various resources and together with our long-term poverty alleviation partner, the Taiwan Fund for Children and Families, we work to select the families for the program and provide them with the assistance they need.





#### Yuanhe Vegetarian Buffet - CTBC's Poverty Alleviation Program "Oldest" Success Story

Many seniors spend their time at home doting on their grandkids, but Ms. Chen Hsiu-lan, 65, of Yunlin County is still working hard to support three generations of her family. After her husband passed away, she became the primary breadwinner, taking care of her son and two granddaughters. The family ran a vegetarian restaurant, but after losing their lease, she had to look for part time work. Even with several jobs, she did not make enough money to pay for her son's medical bills and her granddaughters' daily needs. Ms. Chen mustered up the courage to sign up for the CTBC Charity

Foundation's Poverty Alleviation Program. After nine months of hard work, Ms. Chen opened the Yuanhe Vegetarian Buffet in November 2012, making her the oldest person to start a business with our assistance.

It was not always smooth sailing for Ms. Chen as she started her business. She worried that her age and lack of education would hold her back in the program's entrepreneurial classes. She was especially concerned when it came to numbers, like calculating her costs and other accounting details, and even considered giving up. Thankfully, her grandchildren helped grandma with her "homework" and she slowly built up confidence. Ms. Chen said, "This has been a difficult, yet rewarding journey with my son and granddaughters. No matter how hard the road ahead may be, I need to persevere to achieve my dream." Taiwan Fund for Children and Families social worker, Yang Chih-Bin, said he was moved to see the entire family work together. Not only did they all attend entrepreneurship classes, everyone worked hard to decorate the restaurant and participate in the cooking. Even Ms. Chen's nine-year-old granddaughter helps out as cashier. This small vegetarian restaurant has become a shared dream for three generations.

In order to provide more comprehensive support for the entrepreneurs, CTBC encourages employees to become volunteers and share their expertise. After a 60 hour training course, they can be certified as entrepreneurial volunteers responsible for educating disadvantaged families on proper money management and how to live within their means.

As of the end of 2012, the program has provided 67 families with entrepreneurial guidance and resources. Of these, 33 individuals have qualified for loans that total NT\$11,688,000 and average NT\$350,000 per person. Businesses started through the program were primarily

restaurants and food stands (51%), while the balance included retail/wholesale shops (24%), beauty salons (14%), and agricultural and domestic services enterprises (11%). In 2013, we hope to expand the program and invite even more disadvantaged families to participate. Our goal is to help 200 families to start their own businesses. However, we will place our focus on quality rather than just increasing the total quantity. At the same time, CTBC Charity Foundation has also worked to promote Poverty Alleviation Program businesses and helped the business owners apply for certifications. With the hard work and persistence of entrepreneurs, along with the support of various sectors of the community, there will be even more

businesses started with the help of this program in the future. Happiness and success are just around the corner!

#### Light Up a Life

The Light up a Life fundraising campaign is CTBC's annual large-scale charity event. Started in 1985, it is Taiwan's first and longest-running enterprise-led fundraiser to help disadvantaged children. Through our various assistance programs, CTBC is creating a cycle of love that brings new hope to children in need.

#### CTBC's Light up a Life Small Donations Break Records

Taiwan's first and longest-running charity fundraising activity held by a private enterprise, Light up a Life, is celebrating its 27th year! Over these nearly three decades, the event has already achieved considerable visibility and credibility among the public. Although recent years have seen the financial crisis, economic downturn, and rising inflation, both the amount and number of donations have continued to break new records! Light up a Life raised NT\$1.1 million in its first year and by the end of 2012 we collected NT\$1.1 billion over the lifetime of the program, which all went to assist nearly 240,000 disadvantaged children in Taiwan through the efforts of 35 social welfare groups receiving these donations.

The 27th Light up a Life campaign (held from Dec. 8, 2011 to Mar. 7, 2012) raised NT\$133,331,652 from a total of over 46,375 caring donations. The number of donations was up by 21% over 2011 and nearly 70,000 people took part in related activities. While we did receive large donations generously contributed by Taiwan lottery winners totaling NT\$25 million, the majority of the total raised came from small donations. Over 46% of donations received totaled NT\$1000 or less, while the number of people making donations increased significantly. Small donations alone totaled over NT\$180 million which was a new record in the 27 years of Light up a Life history.

Why did small donations increase so much this year?

CTBC discovered that some social welfare organizations desperately require funds to do their work but lack the ability to publicize these needs, so they have difficulty receiving donations. Therefore, CTBC used our strength as a financial service company to establish eight donation channels. Individuals could donate at our bank branches, online bank, and ATMs, over our phone system, by fax, and through postal remittance, or could donate their credit card bonus points and wealth management bonus points. Our high net worth clients, retail banking clients, Internet users, and potential customers all had various avenues to make their donations. We could therefore attract more customers and members of the public to assist others. The result was a new record for small amount donations.

The donations received from this year's campaign have now been given in full to ten social welfare organizations and programs including the Taiwan Fund for Children and Families' Disadvantaged Family Shared Parenting Services Program, Child Welfare League Foundation's Remote Elementary School Guidance Program, Syin-Lu Social Welfare Foundation, Eden Social Welfare Foundation, and Paperwindmill Foundation. We expect that donations will assist 23,937 economically, physically, or mentally disadvantaged children. CTBC Charity Foundation will also meet our responsibility for oversight through regular program follow ups and updates on our CTBC Charity Foundation website.

#### Public Welfare Lottery

We encourage the public to buy lottery tickets for the well-being of society and to accumulate merit. With every lottery ticket sold, disadvantaged members of society benefit. Since the Public Welfare Lottery was introduced in Taiwan, many winners' dreams have come true, but the program is so much more. Lottery profits, rebate



### Igniting the Charitable Spirit

In January 2012, Ms. Chang Ling-Yun, a 6th grade teacher at Taipei's Ming-de Elementary School, was moved by a Light up a Life advertisement that told the story of Xiao Ling, a disadvantaged child in Taiwan. She encouraged her students to do one great thing before they graduated, help disadvantaged children their age like Xiao Ling. Ms. Chang and her 23 students started by setting up an activity page on facebook. Each day, they drew pictures until they had collected 100 drawings. The class then held an online sale of

their drawings. All of the proceeds were donated to Light up a Life to help children in Taiwan's remote villages.

Ming-de Elementary School students attended the Caring Donation Celebration and under the watchful eye of CTBC Charity Foundation Chairman Jeffrey J.L. Koo, Jr., gave a copy of the "Love 100" notebook to children from the remote Yue-ming Elementary in Yilan County. Students from Yue-ming put on a performance and presented a thank you card to show their appreciation to all those who support the Light up a Life program and Ming-de Elementary for giving them happiness and hope. After they grow up, they too want to give back to children like themselves.

This true story is the physical manifestation of the CTBC Charity Foundation spirit. The students from Ming-de and Yue-ming paths may have never crossed, but because of Light up a Life they were able to build a bridge of friendship. Through empathy, the seed of charity was planted and it will continue to grow in the heart of every generation!

funds, and donations by winners can provide assistance to many disadvantaged groups in need. Since CTBC took over operation of the Public Welfare Lottery in 2007, over 32,000 jobs were created in the field of lottery ticket sales alone. Over the past six years, we have continued to encourage winners to donate a portion of their prize money to charity. In 2012, donations reached NT\$426,789,687, while the cumulative amount for this six years was nearly NT\$2.24 billion. Winners' donations have encouraged more people to participate in charitable activities and have created a virtuous cycle! Because of our outstanding operating results, in 2012 we were again selected by the Ministry of Finance to manage the country's Lottery program in its fourth term.

Ministry of Finance Once Again Selects CTBC to Operate the Public Welfare Lottery

Although the economy has not been strong, Public Welfare Lottery sales have continued to grow over the past six years. By providing a stable source of income for distributors, we are living up to the Lottery's commitment to assist disadvantaged groups. Taiwan Lottery also actively works to build cohesion between the company and our distributors, so we are like one big family. In addition, we have been able to improve sales channels and take advantage of resulting synergies that not only help to save significant time and money, but also improve operating performance. Through the hard work of CTBC and the Taiwan Lottery, the Public Welfare Lottery has brought together many caring winners to become a strong force for public service. This is not only the ultimate expression of lottery winners' kindness, but at the same time, is the most significant contribution that a government-issued public service lottery can make.

### Lottery Sales Income Distribution

Unit: NT\$  
Period: From January 1, 2008 through December 31, 2012

Adopted Programs	%	Amount donated	Assistance provided
Education subsidies for disadvantaged groups	34%	NT\$600 million	Provided subsidies 185,000 times towards tuition, fees, and books at over 2,000 primary and secondary schools and education subsidies to 359,000 disadvantaged women and children and new immigrants.
Food subsidies for the young and elderly	2%	NT\$35 million	Provided nearly 580,000 nutritional breakfasts and lunches by giving economically disadvantaged children in remote areas meal subsidies and delivering meals to the elderly in remote areas.
Medical care for the disadvantaged	34%	NT\$600 million	Early-intervention services, psychological counseling, and purchases of medical equipment.
Facility improvements and equipment purchases at social welfare organizations	10%	NT\$180 million	Repairs and facilities improvements at 79 hospices for patients in a permanent vegetative state, nursing homes, and children's homes located in northern, central, southern, and eastern Taiwan.
Emergency relief	20%	NT\$340 million	In addition to domestic emergency relief, we also donated funds towards disaster relief following a landslide in China's Gansu Province, China's Sichuan earthquake, and the Japanese earthquake and towards food aid programs in Kenya.
Total	100%	NT\$1.755 billion	

Note: The balance of the donations from Lottery winners totaled NT\$485 million, which was utilized by the CTBC Charity Foundation towards care and assistance of disadvantaged children.

Because of our efforts and commitment over the past six years, in 2012 CTBC was again selected to run the lottery as the Ministry of Finance selected the issuer for next decade (which runs from January 1, 2014 through December 31, 2023) at the 4th Lottery term selection. Our selection not only affirms CTBC's previous performance, but also signals approval of Taiwan Lottery's plan for the future and our previous sales record, social welfare programs, and operating team. We enjoy the trust and praise of the competent authorities, Lottery Workers Association, and our distributors.

### Utilization of Public Welfare Lottery Funds

Since CTBC took over the Public Welfare Lottery in 2007, our commitment to social welfare has received affirmation and support from lottery jackpot winners. Through the end of 2012, Taiwan Lottery has received a total of NT\$2.24 billion in donations from big winners. With the planning and coordination of CTBC Charity Foundation, these donations have already been put to good use assisting 173 social welfare organizations implement over 270 charity programs that helped 2.15 million members of disadvantaged groups such as preschoolers, economically-disadvantaged primary

and secondary school students, the physically and mentally disabled, and elderly living alone in rural areas. Some funds have even gone towards disaster relief following a landslide in Gansu Province and the Sichuan and Japanese earthquakes along with supporting food aid programs in Kenya. The assistance that can result from caring donations is not constrained by geography, as love knows no boundaries!

Donations from lottery winners primarily go towards education subsidies for disadvantaged groups, food subsidies for the young and elderly, medical care for the disadvantaged, facility improvements and equipment purchases at social welfare organizations, and emergency relief.

### Philanthropy

The CTBC Charity Foundation, established in November 2004, serves to carry out CTBC Holding's charitable undertakings with a focus on care and support for disadvantaged children and families. At the same time, the Foundation actively works to create a culture of volunteering at CTBC to truly embody the "We are family"

spirit. We have always believed that as a caring and positive force for good, we can create a cycle of love that will bring about change in our society.

#### Making History with the NTU Child and Youth Think Tank

To cope with the rapid changes to Taiwanese society brought about by the island's low birth rate, CTBC Charity Foundation and National Taiwan University have joined hands to establish the university-level think tank NTU Children and Family Research Center. We hope to raise community awareness of issues involving child and adolescent welfare and establish the first domestic research platform focusing on the welfare of children and the family, in the hopes that we can improve life for children and families in Taiwan.

This collaborative effort marks the first time a non-governmental, enterprise-linked charity foundation has worked with NTU to establish a think tank, while it is also the first privately-financed research center in Taiwan focused on children and the family. This university-level research center focuses primarily on low birth rate and family support services, child protection and domestic violence prevention, and adolescent drug abuse prevention and intervention. The center also actively encourages scholars, experts, and young academics to pursue child and family welfare research, perform cross-national comparisons, and publish their research in journals. By coordinating resources from the government, academia, and industry, the center can serve as both a children's research platform and think tank. By publishing their related research, the center will also establish a domestic child and adolescent database. At the same time, the center regularly holds Taiwan Child and Adolescent Welfare Forums and issues policy white papers to serve as reference for government policy makers and private organizations and give a voice to issues related to the welfare of children and families.

#### Employee Volunteer Activities

CTBC volunteers' distinctive green vests are like their angel wings. Volunteer service is already an important part of CTBC corporate culture. Since the CTBC Charity Foundation was established, over 1,701 people have joined the ranks of our volunteers. On average, one out of every six employees is a CTBC volunteer. Our outstanding volunteers accompany children on their path to adulthood and help their parents start their own businesses to become self-reliant and achieve their dreams. Along the way, there is laughter and tears, joy and sadness. CTBC volunteers give of themselves without complaint, while also providing well-planned, organized, and systematic support. They are a powerful force propelling disadvantaged children and families forward on their path away from poverty.

In 2012, CTBC has four main groups of volunteers, Tutoring Volunteers, English Language Tutoring Volunteers, Money Management Volunteers, and Entrepreneurial Volunteers, who provide long-term assistance and services to disadvantaged children and families. Over the year, they held over 1,132 activities in Taiwan, China, and at our overseas branches and subsidiaries and donated over 122,038 hours of their time to assist nearly 40,000 disadvantaged children.

- Tutoring Volunteers: Each weekend, volunteers travel to the Ministry of the Interior's Northern Region Children's Home and the Ruifang Service Center to tutor disadvantaged children. In addition, volunteers hold graduation activities for the children away from classrooms so as to expand their horizons. Over the past eight years, our volunteers have held a total of 360 tutoring sessions reaching over 12,600 students.
- English Language Tutoring Volunteers: Also held at the Ministry of the Interior's Northern Region Children's Home and the Ruifang Service Center, English tutoring classes expose children to English through a diverse range of activities, enabling the language to naturally

become part of their everyday lives. The enthusiastic assistance of each of our volunteers can motivate the children's quest for learning and boost their confidence, so they will no longer be afraid to speak English.

- Money Management Volunteers: Travelling to various Taiwan Fund for Children and Families sites, remote elementary schools, and children's homes, these volunteers hold classes to teach young people valuable money management skills. Classes have been held in remote areas of Hualien, Taitung, and the outlying islands of Penghu and Kinmen. Through fun games, disadvantaged families and children learn good personal finance habits such as keeping a record of expenses and income, living within their means, and building savings. With personal finance and debt management skills, children will be able to properly manage household assets when the time comes.
- Entrepreneurial Volunteers: As part of the Poverty Alleviation Program, we work to give disadvantaged families the tools to escape poverty through entrepreneurship. The program includes a team of trained volunteers who periodically review the finances of each business and use their professional knowledge and caring spirit to assist disadvantaged families to improve their financial situation as they continue along the path to self reliance.

Not only have local enterprises visited CTBC to better understand how we have built such a strong volunteer culture; we have also received interest from overseas social welfare organizations. The China Foundation for Poverty Alleviation, Hong Kong's Tung Wah Group of Hospitals, and University of Hong Kong together with the HK Labour and Welfare Bureau all led delegations to visit CTBC. The China Foundation for Poverty Alleviation was impressed with the positive impact of our Light up a Life fundraising campaign and hopes to use the information gleaned from the visit as a reference for implementing social welfare programs in China.

#### Helping Disadvantaged Youth Take Their First Step Towards Self-reliance

Adolescence is an important period in anyone's life, instrumental in determining a person's future path. By law, young people who grow up in children's homes or shelters become independent at that age of 16 if they do not continue their education. Compared to their peers, these young people must face the many challenges of life in the real world at a much younger age. In order to provide a temporary refuge from these difficulties, in 2011 CTBC Charity Foundation donated NT\$15 million to the Ministry of the Interior to establish 12 self-reliance dormitories throughout Taiwan. In 2012, the dormitories continued to provide 77

#### Xiao Wu Finds His Future Direction Thanks to CTBC

As a child, Xiao Wu (pseudonym) was tutored by CTBC Charity Foundation's caring volunteers. Two years ago, after he took part in one of our Adolescent Self-Reliance Service Industry Workshop, his interest in the food services industry was piqued and he applied for a vocational program in tourism. Xiao Wu told his teacher at the children's home that, "Someday, I hope I can become a specialized service professional." Just at the point in life where Xiaowu needed to make a decision about his future, the Service Industry Workshop helped him to discover his future direction, which also represents a small concrete success for CTBC Charity Foundation.





### Jinhu Elementary Students Finally Witness the Margic of Paperwindmill

Students from Jinhu Elementary in Tainan were originally scheduled to enjoy a performance of "Paperwindmill's Book of Magic" by the Paperwindmill Troupe sponsored by CTBC Charity Foundation, in August. Unfortunately, torrential rains caused flooding on campus that day. The school's 55 children were unwilling to leave the school, hoping against hope that the show would go on.

Director of Teaching, Ms. Huang Hsueh-fen, said that the downpour started at 3pm on the day of the scheduled performance. Water levels rose to about mid-calf on the school's field and the shuttle bus was unable to enter the

grounds. Even though the stage had already been erected and the actors were ready to take their places, the field's soft red soil made holding the show just too dangerous, so it had to be cancelled. The children were very disappointed by the news and kept asking the teachers, "When are they going to come back?"

Not wanting to disappoint the children, CTBC Charity foundation and Paperwindmill worked together to arrange the schedule and necessary resources to make a return trip to Jinhu Elementary in September. When they finally got the chance to enjoy "Paperwindmill's Book of Magic", the students were spellbound and the air was filled with children's laughter.

Paperwindmill's Artistic Director Chuang Chiung-Ju said that on the day of the flooding, the actors' shoes got stuck in the muddy field and they couldn't pull them out. So, they had to rehearse in an empty classroom. Several children peered into the window and watched with great interest. This image left a strong impression on her and the members of the troupe, so they were happy to return to the school and give these adorable children a night to remember.

beds, which were used 28,105 times by young people.

In addition, CTBC Charity Foundation also held self-reliance classes where caring volunteers provided positive care and assistance to young people set to leave their children's home. In 2012, we held the two-day Adolescent Self-Reliance Workshop where a total of 57 CTBC volunteers accompanied 54 young people from children's homes throughout Taiwan to experience what it would be like to work in the hospitality industry. Participating youth build the proper spirit and attitude they will need for the workforce as they prepare to become independent and build their lives..

### A Charity Team That Assists Through Concrete Action

CTBC encourages a volunteer culture and invites employees to join in community assistance to help spread our "Love for kids". During CTBC Charity Foundation activities, our volunteers' compassionate concern makes participating children feel loved and cared for.

In 2012, CTBC held the "We are family" Remote Village Student Career Camp and invited 70 students from Cheng Lin Elementary in Chiayi County and Han Bao Elementary School in Changhua County. CTBC Charity Foundation Chairman Jeffrey J. L. Koo, Jr. and 70 CTBC

volunteers led the children on a tour of the CTBC Bank's Shizheng Branch, where they learned how to use an ATM and do basic financial transactions at the bank counter. They also visited a local fire department where the children learned about firemen, fire prevention, and how to properly evacuate in the event of a fire or other disaster. Not only did the children find the experience new and interesting, they also gained important skills that will help them in the future.

While weekly tutoring sessions are fun, volunteers most look forward to the annual tutoring camp! To give them a great summer vacation, CTBC invited 70 children living in the Ministry of the Interior's Northern Region Children's Home and the Taiwan Fund for Children and Families Ruifang Service Center to attend a two-day Cowboy Tutoring Camp at the Wei Chuan Pushin Ranch in Taoyuan County. CTBC Charity Foundation Chairman Jeffrey J. L. Koo, Jr. and Vice Chairman Thomas KS Chen along with 130 CTBC volunteers took part in the two-day, one-night adventure competition. The event helped children to develop cooperation and team spirit, while giving them a summer to remember.



### Taiwan Public Television and CTBC Join Hands to Film Paratransit Documentaries

In order to provide the physically and mentally-disabled

with more mobility, CTBC Charity Foundation and Taiwan Lottery raised a total of NT\$160 million in one short year to purchase 100 paratransit busses that hit Taiwan's roads in September 2011. In addition, we also worked with the Taiwan Public Television Service to produce two documentaries, "The Children's Ark" and "Satisfaction", which tell the moving stories of some of those who make use of paratransit services. The films were shown in 2012.

### Continued Support for Long-Term Assistance Programs

Support for disadvantaged children and families is not a short-term proposition. Making this commitment requires many years of care and support before concrete results become apparent, a fact that has become clear through our long-term cooperation with charitable organizations. Therefore, we have launched many continuing care programs in the hopes that step by step, we can bring hope to areas of society that need our help.

- Little Seedlings counseling office construction  
Beginning in 2008, In the spirit of our "Love for kids", CTBC Charity Foundation launched the "Little Seedlings counseling office construction plan" back in 2008. We helped to set up counseling offices in eight children's homes throughout Taiwan staffed with professional counselors to assist children's home residents. Receiving the professional mental care they need, we hope that children who have lost their families will be able to grow and thrive.
- Donation of a mobile storytelling bus and books to promote reading in remote villages  
CTBC Charity Foundation not only joined hands with ChangHua Neighbor Care Social-Welfare Association to operate a mobile storytelling bus, but also donated 800 sets of World Cultural and Natural Heritage Sites book series to ChangHua Neighbor Care, Child Welfare League Foundation, Taiwan Fund for Children and Families, Eden

Social Welfare Foundation, Kernel of Wheat Foundation, and the eight children's homes that are part of the Little Seedlings Program. Because of our continued support of the ChangHua Neighbor Care Social-Welfare Association's reading program, the Ministry of Education awarded us first place in the Reading Promotion Support Awards.

- **Launch of Seedlings Reaching for the Sun**  
In 2007, CTBC Charity Foundation established the Seedlings Reaching for the Sun  
Concerned about helping disadvantaged children develop their reading skills, CTBC Bank (Philippines) employs sponsors school libraries so local kids can experience the wonder of reading. Education Support Program to meet the needs of young people living in children's homes who are set to graduate from junior high school and help improve their chances of moving on to high school, then college or vocational school. Through continued education, these children can vastly improve their future prospects and help to break the cycle of poverty.
- **Early Intervention Support Program for Disadvantaged Families**  
If children with developmental delays can receive appropriate early intervention and education during the



Concerned about helping disadvantaged children develop their reading skills, CTBC Bank (Philippines) employs sponsors school libraries so local kids can experience the wonder of reading.

golden period from birth to the age of six, they have a much better chance of catching up with their peers. In 2007, CTBC Charity Foundation launched our Early Intervention Support Program for Disadvantaged Families, which provides early intervention resources to children with autism, developmental delays, and craniofacial deformities. These special children can then receive the comprehensive education and medical care they need.

#### Overseas Aid

Fulfilling our corporate social responsibilities is an important core value at CTBC. As the company's overseas footprint has expanded, we continue to impart this corporate culture to our branches abroad as well.

#### CTBC Bank's Philippine Subsidiary Promotes Reading Through Mobile Libraries

According to surveys, over 60% of elementary school children in the Philippines are unable to read and a vast majority of public elementary schools do not have their own library. In order to help disadvantaged children in the Philippines to improve their reading ability, our Philippines subsidiary and the National Book Store Foundation, Inc. (NBSFI) of the Philippines have teamed up to launch the "Better Readers, Brighter Future" program. We hope that through the establishment of mobile libraries that can reach deep into remote areas, we can help to alleviate the reading problems faced by Filipino students.

Following the program's launch in September 2011, CTBC partnered with six public elementary schools endorsed by the Department of Education of the Philippines. These elementary schools were: Victoria Homes, Tunasan, Lakeview, Gregoria de Jesus, Bagbaguin, and Congress. In addition to purchasing books and sponsoring the project financially, CTBC Philippines also encouraged

employees to become volunteers and read stories to and interact with the children. During the two weeks the mobile library stopped at each school, children were given access to this valuable resource. Seeing the smiles on the children's faces and their focused expressions as they read, we strongly believe that the seeds of knowledge have been planted in their minds and hearts.

#### CTBC Bank's Indonesian Subsidiary: Sponsoring the Expansion of the Jakarta Taiwan School

Established 20 years ago, the Jakarta Taiwan School serves Jakarta's overseas Chinese community and Taiwanese expats. In order to improve teaching quality and long-term development, the school purchased land to build a second campus at a cost of over NT\$45 million. Even with the school's endowment and funds from the Ministry of Education, there was still a gap of NT\$15 million that needed to be raised. CTBC Bank's Indonesian subsidiary helped to sponsor the project, so that the Jakarta Taiwan School's second campus could be built successfully. After the completion of the new campus, the school can expand its kindergarten and elementary school. The school will also improve dormitory facilities for single teachers, which will help attract outstanding teaching talent and reduce teacher turnover, which will ultimately benefit students.

#### Promotion of the Arts

Over ten years ago, when it was rare for companies to sponsoring arts and cultural events, CTBC had already invested a large sum of money to build the performance venue Novel Hall. At the same time, we also actively supported artistic and cultural performances and to this day, we continue to nurture Taiwan's artists. Taiwan is very keen on developing its cultural and creative industry on the international stage and CTBC was an early supporter of this effort. In 2011, we began to invest in Taiwan's cultural

and creative industry to inspire the next generation's artistic sensibilities and support the development of creative talent who can stand up on the world stage. This is one of the most important ways that CTBC can give back to our community.

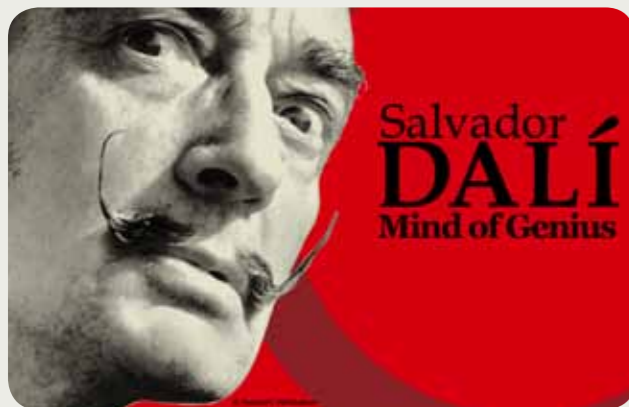
#### Establishing CTBC Capital and Developing Taiwan's Cultural and Creative Industry

CTBC Holding's subsidiary CTBC capital began in 2011 to participate in the Council for Cultural Affairs' program to strengthen and manage discretionary investment in the cultural and creative industry. Through both applying to manage government funds and investing our own capital, the program will inject a total of NT\$500 million into the areas of exhibition facilities, handicrafts, and creative living and design. Because Taiwan and mainland China signed the Economic Cooperation Framework Agreement (ECFA), Taiwan's outstanding creative talents will have even more opportunities to flourish in the ethnic Chinese marketplace. CTBC has enthusiastically acted in concert with government policies in the hope that such joint assistance can give Taiwan's cultural and creative industries a place on the world stage.

From 2011 through 2012, CTBC Capital has invested in the local films such as "The Killer Who Never Kills", "Black & White Episode 1: The Dawn of Assault", and "Step Back to Glory". These films been received warmly by the public and have achieved great box office results on both sides of the Taiwan Strait.

#### Fostering Local Cultural and Creative Endeavors – Taiwanese Puppet Theater

CTBC works to foster local Taiwanese culture, so that it can enjoy its day in the sun! Successful development of the local cultural and creative industry is a lengthy and difficult process requiring continual investment to make a creative idea into something concrete, then



### 12,000 Complementary Tickets to the Dali Exhibition for 187 Remote Elementary Schools

"Wow! It's just like in the documentary!" "How did Dali think up these surreal images?!" Over forty students from Ren Shen Elementary in Taoyuan County, led by their school principal, braved a rainstorm to visit the "Salvador DALI's Mind of Genius Exhibition". They were the first school to use their free tickets from CTBC to visit the show. Neither teachers nor students could contain their excitement.

marketing the product to the public. In addition to CTBC capital's expert assistance to the country's cultural and creative industry, we also help to coordinate resources necessary for creative people to grow and thrive. With this foundation, Taiwan can emerge on the world stage. In 2012, CTBC capital and CTBC Securities assisted PiLi Multimedia International to expand its operating footprint with the goal of becoming the first cultural and creative industry firm to go public. We hope that this will be the first of many and that the industry can ultimately achieve sustainable development.

### Sponsoring the Filming of "Jumping Boy" and Screenings in Remote Villages

In order to spur society to focus on children's reading skills and the rights of disadvantaged children, CTBC sponsored the three-year production of the family film "Jumping Boy"

A total of over 187 schools, some hailing from the outlying islands of Penghu and Kinmen, received free tickets to the exhibition. Kinmen's Duo Nian Elementary and Tian Nan Elementary in Pingtung's Liuqiu Township are located on outlying islands that have relatively few cultural performances and exhibitions, so their students rarely attend such events due to financial concerns and a lack of transportation. Complementary tickets to "Salvador DALI's Mind of Genius Exhibition" were an especially exciting treat. Once he heard about the program, Shuang-hu Elementary School Vice Principal Shao Qi, immediately helped the school's sixth graders sign up, so they could attend as part of their elementary school graduation trip. He hoped that this special gift would give the children a trip to remember.

Children are full of creativity. Through the 12,000 free tickets provided, children from 187 schools in remote areas could let their imaginations take flight. Who knows, maybe one of them will become the next Dali!

that incorporates live action and animation. On the film's opening day in 2012, CTBC put on viewings at 10 remote elementary schools in Taitung. Being able to enjoy a newly released film on the same day as their urban peers was quite a rare event for these children.



### Novel Hall Marks Its 15th Anniversary

When CTBC was constructing our headquarters in Taipei's Xinyi District, we set aside half of the site to build Novel Hall, a midsize multipurpose performance venue sorely needed by the local arts community. We also established CTBC Cultural Foundation responsible for the operation and management of the hall. Since May 1997 when it officially opened, Novel Hall has not only served as a center for arts and culture in eastern Taipei, it has also been a nurturing force for small and medium-sized arts groups and a model of collaboration between the worlds of business and culture.

In September 2012, Novel Hall completed a nine month stage equipment renovation, which included a replacement of the worn theatrical rigging system, stage machinery refurbishment and expansion, and thorough cleaning and renovation of the building. The overhaul coincided with Novel Hall's 15th anniversary and to celebrate its return, we put on a show, "Beauty Foreseen—2012 CTBC Novel Hall Once Again Sets Sail". The performances ranged from ancient to modern and from East and West, putting all of the new equipment and renovations to the test. There were many luminaries in attendance including Beijing Opera master Li Baochun who performed excerpts from the renowned "Hua Rong Dao" and helped to mark a joyful reopening!

### Sponsorship of the Arts to Expand the Public's Horizons

For many years, CTBC has sponsored a wide variety of artistic exhibitions and performances. In 2012, CTBC sponsored the world-class "Salvador DALI's Mind of Genius Exhibition", which travelled to both Taipei and Kaohsiung. To expose children from remote villages to such a significant art exhibition, CTBC donated 12,000 free tickets and opened up applications from any school receiving support from the Ministry of Education's 2012 Educational Priority Area Program. Students from a total of 187 elementary

schools from throughout Taiwan experienced Dali's masterpieces because of these complementary tickets.

In addition to "Salvador DALI's Mind of Genius Exhibition", CTBC also sponsored many other cultural events including "Trick Art - 3D Art from Japan Part II", the family musical "Disney Live! Mickey's Music Festival", Kaohsiung Lantern Festival, and New Taipei City Ho-hai-yuan Rock Festival to expose the people of Taiwan to a variety of diverse artistic perspectives.

CTBC Charity Foundation began to sponsor the Paperwindmill performance tour in 2009. In 2012, through caring donations provided as part of Light up a Life, we supported a total of 12 performances by the troupe throughout Taiwan, from Yilan, Hualien, and Taitung to Yunlin and Pingtung. Each performance enables Paperwindmill to take children from rural villages on a path of artistic discovery. Giving these children an opportunity to watch the performance not just exposes them to the arts, but also makes them feel special and lets them know that someone cares.

### Athletic Sponsorship

No one is born an elite athlete. An athlete's ultimate success is a product of not just innate talent, but also the hard work of government and the private sector. If companies provide long-term support to budding athletes along with a stage upon which to perform, they have the chance to make a name for themselves around the world while also increasing Taiwan's visibility abroad.

Speaking of athletic sponsorship, CTBC is without a doubt an influential pioneer. The late CTBC funder Jeffrey L. S. Koo represented Taiwan at the first World Amateur Golf Team Championship held in England back in 1956. CTBC was the sole sponsor of the CTBC Cup International Team Golf Tournament, which was held for 20 years beginning

in 1978. Not only did the tournament help boost popularity of the sport in Taiwan, it was the first example of an enterprise sponsoring golf in the country. Since many of the people who participated were global business and political elites, the event opened a line of communication between Taiwanese and the world. Through golf, CTBC was able to help bridge the distance between nations.

#### Promoting Golf through Athletic Sponsorships

In recent years, a number of Taiwanese athletes have emerged on the international athletic stage, but Taiwan still lacks the resources for the comprehensive development of local sports. In order to enable outstanding young golfers to fully achieve their potential, CTBC joined hands with the Taipei Physical Education College in 2011 to implement a golf athlete training program. Recipients of long-term assistance from the program include professional female golfers Lin Tzu-Chi and Yeh Hsin-Ning. In 2012, we also sponsored promising rookies Hsieh Yu-Ling, Kuo Ai-Chen, and Hsu Wei-Ling. At the same time, we provided scholarships to assist Taipei Physical Education College to support amateur women golfers.



The 2012 CTBC Ladies Charity Open was held 8-10 November at Taoyuan's Orient Golf Club. CTBC Charity Foundation President Jeffrey Koo, Jr. and five professional women golfers sponsored by CTBC, including Yeh Hsin-Ning, Lin Tzu-Chi, Hsieh Yu-Ling, Kuo Ai-Chen, and Hsu Wei-Ling, announced the official opening of this international competition at a pregame press conference.

CTBC's mentorship of young golfers starts from building sound fundamentals, such as stance, fitness, and club choice, and includes expert instruction. Based on the athlete's specific characteristics, we then provide comprehensive training and direction, which even includes teaching proper etiquette and how to deal with the media. Through concrete action we are developing Taiwan's future athletic ambassadors and we hope that wherever they find themselves, these athletes can put their best face forward. Through the game of golf, Taiwan can also bask in some of its outstanding athletes' reflected glory.

#### Helping Young Athletes Develop their Potential and Make a Significant Achievement

Happily, the golfers receiving sponsorships have all seen success in international competitions. In March 2011, Lin Tzu-Chi captured her first professional victory at the Florida's Natural Charity Classic on the LPGA Futures Tour. That same year, Yeh Hsin-Ning claimed second place in the CLPGA Yangzhou Challenge, also a significant achievement.

In 2012, we added three golfers to our sponsorship roll, Hsieh Yu-Ling, Kuo Ai-Chen, and Hsu Wei-Ling, who have all put in excellent performances. At the Enjoy Jakarta Ladies Indonesia Open 2012 on the Ladies Asian Golf Tour, Hsieh Yu-Ling took home second place. Kuo Ai-Chen also claimed second place in the TLPGA Yeangder Open 2013. As an amateur, rising star Hsu Wei-Ling won the several victories on the TLPGA Tour. In 2013, she also did well on the Symetra Tour in the USA. Through these sponsorships, CTBC hopes to help young athletes achieve their potential, while also making a name for Taiwan in the world of international golf.

#### CTBC Ladies Charity Open Combined Both Athletic Competition and Social Welfare

In addition to nurturing golf talent, CTBC has also worked to give them a stage upon which to play! Last year, we

invited 75 female golfers from Taiwan, Japan, South Korea, Thailand, Vietnam, and the USA to compete in the 2012 CTBC Ladies Charity Open.

The 2012 CTBC Ladies Charity Open was held 8-10 November at Taoyuan's Orient Golf Club. CTBC Charity Foundation President Jeffrey Koo, Jr. and five professional women golfers sponsored by CTBC, including Yeh Hsin-Ning, Lin Tzu-Chi, Hsieh Yu-Ling, Kuo Ai-Chen, and Hsu Wei-Ling, announced the official opening of this international competition at a pregame press conference.

This event is very significant for Taiwanese female golfers who are interested in entering the international arena. The CTBC Ladies Charity Open was also an important reason why open events held by the TLPGA will now count towards the Rolex Rankings. Crossing that threshold helps to attract more overseas competitors to Taiwanese events and give the country a higher standing in the world of international golf.

The 2012 CTBC Ladies Charity Open is not just any competition; it also incorporates our philanthropic spirit. On the first day of the Charity Open, the golfers, who included Yeh Hsin-Ning, Lin Tzu-Chi, Hsieh Yu-Ling, Kuo Ai-Chen, and Hsu Wei-Ling sponsored by CTBC, were competing for charity as they teamed up with CTBC customers for a charity tournament. After the competition, the five CTBC sponsored athletes donated half of their winnings to the Taiwan Fund for Children and Families, Child Welfare League Foundation, Eden Social Welfare Foundation, The Mustard Seed Mission, and the Chen Chou Boy's Home to promote the "Young Talent Empowerment Program" working to improve the lives of children in remote areas. The event, which combined both athletic competition and social welfare, helped to open new horizons for the sport of golf in Taiwan.

#### Social Welfare Awards



CTBC leverages the advantages afforded by our finance operations to fulfill our corporate responsibility. Utilizing the resources of our various channels, we can provide social welfare organizations with a stable platform and in turn give back to society and assist disadvantaged groups, while also supporting the arts and environment. We hope we can help throw a spotlight on Taiwan, making the nation more visible throughout the world.

CTBC has long been committed to customer service, innovation, and philanthropy. Our efforts garnered CTBC the Group Award at the 7th National Community Service Awards and the first Corporate Charity Award from China's Global Charity Magazine. In 2012, we were also awarded the Business Next Magazine Outstanding Financial Services Enterprise in its 3rd Green Brand Survey and the CSR Model of Excellence Award by BSI.

The CTBC Charity Foundation, just like its parent CTBC, works to improve our society by caring for and supporting disadvantaged children and families. CTBC also actively works to establish a corporate volunteer culture to live up to our motto, "We are family". In 2012, we were awarded the Ministry of Education's Social Education Public Service Award.

Beginning in 2011, CTBC has been awarded the Sports Administration, Ministry of Education's Sports Promotion Award two years running. The Taipei City Government also selected CTBC for its Education Donation Award. Such positive recognition from a variety of organizations spurs CTBC to continue to support young golfers in Taiwan and help build a bridge between Taiwan and the world.



## Vision for the Future

As a corporate citizen, CTBC will hold fast to our brand spirit, “We are family”, as we work to become the best financial institution in the world serving the ethnic Chinese community. We continue to be caring, professional, and trustworthy, while we fulfill our corporate social responsibility and create a harmonious, transparent, and sustainable virtuous cycle for all of our stakeholders. As we look to the future, CTBC will continue to actively give back to society and implement a variety of sustainability programs in order to achieve our goal of a 5% reduction in energy use. We vow to be a green financial institution that positively impacts our environment, society, and economy and helps create a better life for members of the public. We will do our part as a global citizen.

## INDEPENDENT ASSURANCE OPINION STATEMENT

### 2012 Chinatrust Financial Holding Company Corporate Social Responsibility Report

The British Standards Institution is independent to Chinatrust Financial Holding Company (hereafter referred to as CFHC in this statement) and has no financial interest in the operation of CFHC other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of CFHC only for the purposes of verifying its statements relating to its sustainability, more particularly described in the Scope, below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by CFHC. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to CFHC only.

#### Scope

The scope of engagement agreed upon with CFHC includes the followings:

1. The assurance covers the whole report and focus on systems and activities during the 2012 calendar year on the CFHC headquarter including their eight subsidiaries (excluding CTBC Investments Co., Ltd.) and relevant operations.
2. The evaluation of the nature and extent of the CFHC's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

#### Opinion Statement

We conclude that the 2012 CFHC CSR Sustainability Report Review provides a fair view of the CFHC programmes and performances during 2012. We believe that the 2012 economic, social and environment performance indicators are fairly represented.

Our work was carried out by a team of (CSR) report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that CFHC's description of their approach to AA1000 Assurance Standard and their self-declaration of compliance with the GRI guidelines were fairly stated.

#### Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- review of issues raised by external parties that could be relevant to CFHC's policies to provide a check on the appropriateness of statements made in the report
- discussion with managers and staff on CFHC's approach to stakeholder engagement. However, we had no direct contact with external stakeholders
- 12 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out
- review of key organizational developments
- review of the findings of internal audits
- review of supporting evidence for claims made in the reports
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008)

#### Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness as

well as the GRI G3.1 guidelines is set out below:

#### Inclusivity

In this report, it reflects that CFHC has continually made a commitment to its stakeholders, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the CFHC's inclusivity issues; however, the future report should be further enhanced by the following areas:

- Linking of the organization's sustainable development target and financial sector.

#### Materiality

The CFHC has established relative procedure in company level, as the issues which were identified by all departments have been prioritized according to the extent of impact and applicable criterion for sustainable development of company. Therefore, material issues were completely analyzed and the relative information of sustainable development was disclosed to enable its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers the CFHC's material issues; however, the future report should be further enhanced by the following areas:

- Encouraging to improving the materiality identification process which more broadly consider the significant risks and opportunities in the value chain.

#### Responsiveness

CFHC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for the CFHC Corporation is developed and provides the opportunity to further enhance the CFHC's responsiveness to stakeholder concerns. CFHC can timely respond to the stakeholder if the crisis events happened. In our professional opinion the report covers the CFHC's responsiveness issues; however, the future report should be further enhanced by the following areas:

- Encouraging to work towards a Type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

#### GRI-reporting

CFHC provided us with their self declaration of compliance within GRI G3.1 Guidelines and the classification to align with application level A+. Based on our review, we confirm that social responsibility and sustainable development core performance indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self declaration covers the CFHC's social and sustainability issues; however, the future report will be improved by the following areas:

- Continuously focus on the implementation of sustainability procedures and programs along with the newly developed Standards.

#### Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

#### Responsibility

This CSR report is the responsibility of the CFHC's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

#### Competency and Independence

The assurance team was composed of Lead auditors and Carbon Footprint Verifiers experienced in Engineering sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu  
Managing Director BSI Taiwan  
30,05, 2013

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**GRI(Global Reporting Initiative) G3.1 Index**

○ Full △ Partial ◎ Not Disclosure NA Not Applicable

	GRI 3.1	Description	Chapter	Page
1	Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization.	○	Message from Chairman	7
1.2	Description of key impacts, risks, and opportunities.	○	Message from Chairman Corporate Governance	7 50
2	Organization Profile			
2.1	Name of the organization.	○	About CTBC	29
2.2	Primary brands, products, and/or services.	○	About CTBC	29-33
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	○	About CTBC	29-33
2.4	Location of organization's headquarters.	○	About CTBC	30
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	○	About CTBC	30-31
2.6	Nature of ownership and legal form.	○	About CTBC	29
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	○	About CTBC	29-31
2.8	Scale of the reporting organization.	○	About CTBC	29-34
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	○	About CTBC	29-33
2.10	Awards received in the reporting period.	○	About CTBC	38-39
3	Report parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	○	Report Overview	3
3.2	Date of most recent previous report (if any).	○	Last year's report was issued in August 2011.	-
3.3	Reporting cycle (annual, biennial, etc.)	○	Report Overview	3
3.4	Contact point for questions regarding the report or its contents.	○	Report Overview	3
3.5	Process for defining report content including: Determining materiality; Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report.	○	Stakeholder Engagement	19-20
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	○	Report Overview	3
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	○	Report Overview	3
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	○	About CTBC	36-37
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	○	Report Overview	3
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	○	In November 2012, the CTBC Holding obtained a 98.6% stake in Truswell Securities Investment Trust Co., Ltd. and its name was officially changed to CTBC Investments Co., Ltd. (CTBC Investments). This did not result in the need to restate information provided in earlier reports.	-
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	○	Report Overview	3
3.12	Table identifying the location of the Standard Disclosures in the report.	○	Appendix: GRI index	122-128
3.13	Policy and current practice with regard to seeking external assurance for the report.	○	Report Overview	3
4	Corporate Governance			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	○	Corporate Governance	43-46
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	○	No	-
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or nonexecutive members.	○	Corporate Governance	46
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	○	Stakeholder Engagement Employee Care	18-19 78
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	○	Corporate Governance	42-46

	GRI 3.1	Description	Chapter	Page
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	○	Corporate Governance	46-47
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	○	Corporate Governance	42-44 48-49
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	○	CSR Philosophy CSR Performance	11 22-27
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	○	Corporate Governance	42-46
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	○	Corporate Governance	44-45
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	○	Corporate Governance	50
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	○	Environmental Protection	90-91
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; * Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic.	○	About CTBC	36-37
4.14	List of stakeholder groups engaged by the organization.	○	Stakeholder Engagement	18-19
4.15	Basis for identification and selection of stakeholders with whom to engage.	○	Stakeholder Engagement	18-19
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	○	Stakeholder Engagement	18-19
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	○	Stakeholder Engagement	18-19
Economic				
EC	Disclosure on Management Approach	○	Corporate Governance	40-55
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	○	About CTBC	34-36
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	○	Environmental Protection	94
EC3	Coverage of the organization's defined benefit plan obligations.	○	Employee Care	72-74
EC4	Significant financial assistance received from government.	○	About CTBC	36
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	○	Employee Care	72
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	○	Employee Care	71
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	○	Environmental Protection	95
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	○	The company has established branches and affiliates in 11 countries and territories around the world and has made significant contributions to increasing the vitality of the local financial environment.	-
Environment				
EN	Disclosure on Management Approach	○	Sustainable Environment	86-99
EN1	Materials used by weight or volume.	NA	Chinatrust is a financial services firm, not a manufacturer, so this indicator is not applicable.	-
EN2	Percentage of materials used that are recycled input materials.	NA	Chinatrust is a financial services firm, not a manufacturer, so this indicator is not applicable.	-
EN3	Direct energy consumption by primary energy source.	○	Sustainable Environment	89-90
EN4	Indirect energy consumption by primary source.	○	Sustainable Environment	89-90
EN5	Energy saved due to conservation and efficiency improvements.	○	Sustainable Environment	88-90
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	○	Sustainable Environment	88-97
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	○	Sustainable Environment	88-93
EN8	Total water withdrawal by source.	○	Sustainable Environment	91-92
EN9	Water sources significantly affected by withdrawal of water.	○	Sustainable Environment	91-92

	GRI 3.1	Description	Chapter	Page
EN10	Percentage and total volume of water recycled and reused.	○	No water is recycled or reused.	-
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	○	The company's offices are all located in urban areas, and none are currently located in protected areas or areas of high biodiversity value outside protected areas.	-
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○	No impacts on such areas.	-
EN13	Habitats protected or restored.	○	The company's offices are all located in urban areas, and none are currently located in habitats protected or restored.	-
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	○	None related strategies and plans.	-
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○	The company's offices are all located in urban areas, and none are IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
EN16	Total direct and indirect greenhouse gas emissions by weight.	○	Sustainable Environment	90
EN17	Other relevant indirect greenhouse gas emissions by weight.	○	The company has not yet measured the amount of greenhouse gasses generated through employee commutes, business travel, or transportation of waste material.	-
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	○	Sustainable Environment	88-97
EN19	Emissions of ozone-depleting substances by weight.	○	Sustainable Environment	93
EN20	NOx, SOx, and other significant air emissions by type and weight.	NA	The company is not a manufacturing firm and emits no air polluting chemicals.	-
EN21	Total water discharge by quality and destination.	○	Sustainable Environment	91-92
EN22	Total weight of waste by type and disposal method.	○	Sustainable Environment	92
EN23	Total number and volume of significant spills.	○	None	-
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○	As a financial firm, the company does not create any waste material deemed hazardous under the terms of the Basel Convention.	-
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	NA	Because of the nature of our industry, liquid and solid waste created by the company do not cause significant impacts on biodiversity.	-
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	○	Sustainable Environment	96-97
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	NA	Because of the nature of the financial industry, we do not have products or packaging that require recycling.	-
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	○	None	-
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	○	Chinatrust is part of the financial industry, so operations do not result in significant environmental impacts due to transporting goods or members of its workforce.	-
EN30	Total environmental protection expenditures and investments by type.	○	Sustainable Environment	94-95
Social: Labor Practices and Decent Work				
LA	Disclosure on Management Approach	○	Employee Care	68-85
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	○	Employee Care	71
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	○	Employee Care	71
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	○	Employee Care	72-74
LA4	Percentage of employees covered by collective bargaining agreements.	○	Employee Care	76
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	○	Employee Care	77
LA6	Percentage of total workforce represented in formal joint managementworker health and safety committees that help monitor and advise on occupational health and safety programs.	○	In 2011 Chinatrust formulated the Labor Safety and Health Code of Practice, which specifies a variety of workplace health and safety standards. These can assist employees to improve workplace safety and prevent accident-related injury and loss.	-

	GRI 3.1	Description	Chapter	Page
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	○	Employee Care	81
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	○	Employee Care	78-82
LA9	Health and safety topics covered in formal agreements with trade unions.	○	We didn't set this kind of union.	-
LA10	Average hours of training per year per employee by gender and by employee category.	○	Employee Care	75
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	○	Employee Care	74-76
LA12	Percentage of employees receiving regular performance and career development reviews by gender.	○	Employee Care	74-76
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	○	Employee Care	71
LA14	Ratio of basic salary of women to men by employee category, by significant locations of operation.	○	Employee Care	72
LA15	Return to work and retention rates after parental leave, by gender.	○	Employee Care	83
Social Human Rights				
HR	Disclosure on Management Approach	○	CSR Philosophy Employee Care	11-15 70
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening.	○	One contract, which equaled 100% of such cases. In 2012, Chinatrust acquired the Trust well (which has been renamed CTBC Investments).	-
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken.	○	Stakeholder Engagement	20-21
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	○	Employee Care	82-83
HR4	Total number of incidents of discrimination and corrective actions taken.	○	Employee Care	70
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	○	Stakeholder Engagement Employee Care	21 70
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	○	Stakeholder Engagement Employee Care	20 70
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	○	Stakeholder Engagement Employee Care	21 70
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	○	Employee Care	70
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	○	None	-
HR10	Percentage and total number of operations that have been subject to human rights reviews and/ or impact assessments.	○	Chinatrust's operations are all conducted lawfully. Assessments have found the company meets local human rights regulations.	-
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	○	Employee Care	76
Social Society				
SO	Disclosure on Management Approach	○	About CTBC Corporate Governance	28-37 40-55
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	○	100%	-
SO2	Percentage and total number of business units analyzed for risks related to corruption.	○	In regards to our banking business, two business units, or 10% of the total, have been analyzed for risks related to corruption	-
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	○	Chinatrust's Employee Code of Conduct clearly defines the company's anti-corruption policies and new employees must also receive related training. 100% of the workforce is trained in these policies and procedures.	-
SO4	Actions taken in response to incidents of corruption.	○	Corporate Governance	53-55
SO5	Public policy positions and participation in public policy development and lobbying.	○	About CTBC	36-37

	GRI 3.1	Description	Chapter	Page
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	○	None	-
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	○	None	-
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	○	None	-
SO9	Operations with significant potential or actual negative impacts on local communities.	○	Because the company is primarily located in offices, our operations do not result in significant impacts on local communities.	-
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	○	Because there are no significant or actual negative impacts, the company does not implement related prevention or mitigation measures.	-
<b>Social Product Responsibility</b>				
PR	Disclosure on Management Approach	○	Customer Care	56-67
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	NA	not applicable	-
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	NA	not applicable	-
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	NA	Chinatrust fulfils our requirement to provide customers with information regarding financial planning and insurance services in 100% of situations.	-
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	○	None	-
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	○	Customer Care	67
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	○	Customer Care	66
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	○	None	-
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	○	There were a total of 24 customer complaints regarding breaches of customer privacy and losses of customer data lodged with outside authorities.	-
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	○	None	-
<b>Financial Service Sector Supplement</b>				
FS	Product and Service Impact Section Financial Services Sector Specific Disclosure on Management Approach	○	Customer Care	56-67
FS1	Policies with specific environmental and social components applied to business lines.	○	CSR Philosophy	10-15
FS2	Procedures for assessing and screening environmental and social risks in business lines.	○	Stakeholder Engagement Sustainable Environment	20-21 94
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	○	Sustainable Environment	94
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	○	CSR Philosophy	13-15
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	○	Sustainable Environment Community Service	96 102-107
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	○	About CTBC	35
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	○	Community Service	102-107
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	○	Sustainable Environment	96
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	○	Corporate Governance	50
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	○	CSR Philosophy	12

	GRI 3.1	Description	Chapter	Page
FS11	Percentage of assets subject to positive and negative environmental or social screening.	○	Currently, the company has yet to implement environmental or social screening. In the future, the company will formulate appropriate policies.	-
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	○	Currently, Chinatrust does not implement such policies. In the future, the company will formulate appropriate policies.	-
FS	Social Section-- Financial Services Sector Specific Disclosure on Management Approach – Community ,Product and Service Labeling			
FS13	Access points in low-populated or economically disadvantaged areas by type.	○	About CTBC	31, 60
FS14	Initiatives to improve access to financial services for disadvantaged people.	○	Customer Care	63-64
FS15	Policies for the fair design and sale of financial products and services.	○	Customer Care	64
FS16	Initiatives to enhance financial literacy by type of beneficiary.	○	Customer Care	64-65

### ISO 26000 Index

	Core subjects and issues	Related CSR Report Section	Page(s)
Organizational governance	Decision-making processes and structures	CSR Philosophy	10-15
Human rights	Due diligence	Employee Care	83
	Human rights risk situations	Employee Care	70
	Avoidance of complicity	Corporate Governance	42-47
	Resolving grievances	Employee Care	76-77
	Discrimination and vulnerable groups	Employee Care	70
	Civil and political rights	Employee Care	81
	Economic, social and cultural rights	Employee Care	81
Labor practices	Fundamental principles and rights at work	Employee Care	77
	Employment and employment relationships	Employee Care	70-73
	Conditions of work and social protection	Employee Care	68-85
	Social dialogue	Employee Care	76-79
The environment	Health and safety at work	Employee Care	78-83
	Human development and training in the workplace	Employee Care	74-76
	Prevention of pollution	Sustainable Environment	92-93
	Sustainable resource use	Sustainable Environment	96-99
	Climate change mitigation and adaptation	Sustainable Environment	88-93
Fair operating practices	Protection of the environment, biodiversity and restoration of natural habitats	Sustainable Environment	96-99
	Anti-corruption	Corporate Governance	53-55
	Responsible political involvement	Corporate Governance	54
	Fair competition	Corporate Governance	54
	Promoting social responsibility in the value chain	CSR Philosophy	10-15
Consumer issues	Respect for property rights	Corporate Governance	54
	Fair marketing, factual and unbiased information and fair contractual practices	Customer Care	63-64
	Protecting consumers' Health and safety	Customer Care	62-63
	Sustainable consumption	Customer Care	62-66
	Consumer service, support, and complaint and dispute resolution	Customer Care	66-67
	Consumer data protection and privacy	Customer Care	62
	Access to essential services	Customer Care	56-67
Community involvement and development	Education and awareness	Customer Care	64-65
	Community involvement	Community Service	108-112
	Education and culture	Community Service	113-115
	Employment creation and skills development	Employee Care	74-78
	Technology development and access	Customer Care Community Service	59 64 105
	Wealth and income creation	About CTBC	34
	Health	Community Service	115-117
Social investment	Community Service	102-107	

## United Nation Global Compact Comparison Table

Category	10 Principles	Related CSR Report Section	Page(s)
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights;	Employee Care	70
	Make sure that they are not complicit in human rights abuses	Employee Care	70
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Employee Care	76-77
	The elimination of all forms of forced and compulsory labor;	Employee Care	70
	The effective abolition of child labor.	Employee Care	70
	The elimination of discrimination in respect of employment and occupation.	Employee Care	70
Environment	Businesses should support a precautionary approach to environmental challenges.	Sustainable Environment	94
	Undertake initiatives to promote greater environmental responsibility.	Sustainable Environment	86-99
	Encourage the development and diffusion of environmentally friendly technologies.	Sustainable Environment	96-99
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Corporate Governance	53-55



**CTBC HOLDING**

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