

# Union Bank of Taiwan

## The Minutes of 2016 Annual Meeting of Shareholders

Date and Time: Wednesday, June 8, 2016 at 9:00 a.m.

Location: No. 187, Jinhua St., Taipei City (6F, Auditorium, Center for Public Business Administration Education, National Chengchi University)

Total outstanding shares: 2,605,152,427 shares

Total shares represented by shareholders present in person or by proxy :  
2,183,949,802 shares

(Contain to exercise the right to vote number 79,609,841 by electronics)

Percentage of shares held by shareholders present in person or by proxy: 83.83%

Chairman: Director Lee, Shiang-Chang

Attend as a delegate: General manager & Director: Lin, Jeff · Independent Director:  
Wang, Kao-Jing · Independent Director: Kuo-Chang Lee · Vincent C. Cheng of Deloitte  
& Touche · Shu-Chin Liu of LAW OFFICE OF S.S. LAI ATTORNEY AT LAW ·  
Cheng Tsai Fang of LAW OFFICE OF S. S. LAI, ATTORNEYS AT LAW

1. Declare the conference : Attendant shareholder and shareholder agent represents share have already attained the legal quantity. The Chairman called the meeting to order .

2. Chairman speech : Director Lee, Shiang-Chang

3. Discussions

Subject1: The proposed amendment to certain clauses of the Articles of Association of the Bank is submitted for approval.

Illustration: The Bank has filed an application to operate the business of physical insurance agent and to add the business of property insurance agent. It is proposed that Article 10 of the company's articles of association be amended to increase the scope of business pursuant to the requirement of the competent authority. Also, in accordance with Articles 235, 235-1 and 240 of the newly amended Company Act, it is proposed to amend certain clauses of the company's articles of association about the manner of distribution of director remuneration and employee remuneration. For a table of comparison showing clauses before and after the amendment, please refer to Attachment.

Resolution : This proposal vote decides the result as follows:

Attend the shareholder right to vote number while deciding (contain the electronics vote) 2,183,700,730 shares

Decide the result	Percentage of shares held by total votes
Approval votes: 2,172,581,639 (Contain the electronics vote:62,780,586)	99.49%
Disapproval votes: 1,258,281 (Contain the electronics vote:1,258,281)	0.06%
Invalid votes: 0	0%
Abstention votes :9,860,810 (Contain the electronics vote:9,570,974)	0.45%

Proposal was approved after voting.

#### 4. Reports

- (1) The 2015 Business Report (Please make reference to attach the form)  
All attendance shareholder talks over with know.
- (2) The 2015 Audit Committee Audit Report (Please make reference to attach the form)  
All attendance shareholder talks over with know.
- (3) The 2015 Report on Employee and Director Remuneration Distribution Status  
All attendance shareholder talks over with know.
- (4) The Report on Merger between the Bank and Union Bank Insurance.  
All attendance shareholder talks over with know.

#### 5. Approvals

Subject 1 : The 2015 business report and financial statements are submitted for approval. (Proposed by Board of Directors)

Illustration:

1. The 2015 financial statements of the Bank (including consolidated financial statements) have been audited by accountants Huang Rui Chang and Cheng Shu Rang of Deloitte & Touche and have, together with the business report, been approved by the audit committee and the 7<sup>th</sup> meeting of the 9<sup>th</sup> term of the board of directors of the Bank. They are submitted for approval.
2. Please refer to the above-cited documents in Attachment.

Resolution : This proposal vote decides the result as follows:

Attend the shareholder right to vote number while deciding (contain the electronics vote) 2,183,949,799 shares

Decide the result	Percentage of shares held by total votes
Approval votes: 2,172,574,139 (Contain the electronics vote:62,775,206)	99.48%
Disapproval votes: 1,258,010 (Contain the electronics vote:1,258,010)	0.06%
Invalid votes: 0	0%
Abstention votes :10,117,650 (Contain the electronics vote:9,576,625)	0.46%

Proposal was approved after voting.

Subject 2: The 2015 Profit Distribution Proposal is submitted for approval. (Proposal by Board of Directors)

Illustration:

1. This profit distribution proposal relates to the 2015 distributable profit of NT\$2,154,741,137. It is proposed that the distribution be made as shown in Attachment ,in accordance with the articles of association of the Bank.
  - (1) Ordinary share cash dividend (\$0.4 per share) totaling NT\$1,042,060,971.
  - (2) Undistributed profit: NT\$1,112,680,166.
2. After the profit distribution proposal is approved by the general shareholders meeting, the board of managing directors is authorized to determine the record date for dividend distribution and to handle cash distribution related matters.
3. In accordance with the regulation of the Ministry of Finance Tai-Cao-Shui No. 871941343 date 30 April 1998, in distributing profit, individual identification should be adopted. The 2015 profit should be distributed in priority in this profit distribution.
4. If the total number of outstanding shares is subsequently changed due to buy-back of the Bank's shares or the transfer, exchange or cancellation of treasury shares or any other event, resulting in the change of dividend distribution ratio, the shareholders meeting should authorize the board of directors to carry out the change.

Resolution : This proposal vote decides the result as follows:

Attend the shareholder right to vote number while deciding (contain the electronics vote) 2,183,949,799 shares

Decide the result	Percentage of shares held by total votes
Approval votes: 2,172,456,063 (Contain the electronics vote:62,657,130)	99.48%
Disapproval votes: 1,370,710 (Contain the electronics vote:1,370,710)	0.06%
Invalid votes: 0	0%
Abstention votes :10,123,026 (Contain the electronics vote:9,582,001)	0.46%

Proposal was approved after voting.

6. Motions : none

(Inquire to have no other temporary suggestions, The chairman declares the meeting be over.)

7. Adjournment : Wednesday, June 8, 2016 at 10:07a.m.

Chairman : Lee, Shiang-Chang

Record : Ariel Lin

In the event of inconsistencies between versions, the Mandarin Chinese version shall prevail.

### 1. Domestic and Overseas Financial Status

The global economic growth in 2015 was less than expected, mainly due to the slow recovery of the advanced countries and decreasing growth of the emerging and developing countries. The slowed economic growth of Mainland China had a particularly significant impact on the global economy. Influenced by the US's announcement for interest rate increase, most Asian currencies have depreciated. The Euro appreciated due to a level of monetary relaxation by the European Central Bank that was less than expected. The global economy and the stock market started high and went low, bringing a negative impact on the overseas business development by domestic banks.

With weak global economic recovery and increased competition among industries in both Taiwan and Mainland China and international brands, both domestic and overseas demand perspectives turned prudent. Coupled with decreasing international oil price and the price of raw materials, decreasing stock markets both domestically and overseas which increased the investment losses for domestic banks, increased cost due to overseas mergers and the disposition of electronic finance, an international trend that is less favorable than expected and the requirement for provisions to answer to a low housing market and the risk in the Chinese market, even with the support from the business growth of domestic banks, the profitability level is only break-even.

Although the 2016 global economy is expected to go on a positive trend, each economy has very different performance. The weakening growth of the Chinese economy drags down the economic performance in our country. It may be difficult to achieve investment return. Enterprise funding requirements have also turned conservative. In addition, the Financial Supervisory Commission opened up several OBU businesses and banking investment in financial technology businesses. This will encourage domestic banks to continue reinforcing the overseas lending market and syndication projects in 2016. Direct acquisitions in the overseas market has also become possible, allowing banks to expand and diversify their operation scope. The overall competitiveness of domestic banks is increasing.

### 2. 2015 Operating Results and Main Business Status

With the joint effort by all employees of the Bank in 2015, good performance has been demonstrated in terms of various operational benchmarks. In terms of profitability, the 2015 net profit after tax is \$3.121 Billion, representing a growth of 0.88% compared to 2014. The earnings per share after tax (EPS) is \$1.20. Total asset rate of return (ROA) is 0.63%. Net value rate of return (ROE) is 9.33%. In terms of asset quality, the overdue lending ratio is 0.05%. Bad debt coverage ratio is

1839.97%. Asset quality is maintained at a good level.

For years, the Bank has continuously developed different businesses with stable growth and under an operational strategy of in-depth local efforts. On 7 January 2016, the long-term and short-term credit of the Bank was rated "twA/twA-1" by Taiwan Ratings Corporation. Each rating perspective remains "stable". Overall, the Bank's operational status, capital, profitability level and asset quality are well acknowledged. Multiple benchmarks are above average among domestic banks.

Below is a summary report on the operational status of the Bank's main businesses in 2015:

(1) Deposits (including foreign currency and OBU)

New Taiwan Dollar and foreign currency deposit balance at the end of 2015 is \$423.367 Billion, representing a growth of 5.71% from \$22.874 Billion at the end of 2014. In terms of deposit structure, current deposit balance is \$179.057 Billion, representing 42.29% of total deposit. Term deposit balance is \$244.310 Billion, representing 57.71% of total deposit.

(2) Lending

At the end of 2015, NT Dollar and foreign currency lending balance is NT\$283.5 Billion, representing an increase of NT\$23.4 Billion compared to the end of 2014 and a growth of 9%. Among this, secured lending is NT\$212.3 Billion, representing 74.89% of total lending. Unsecured lending is NT\$71.2 Billion, representing 25.11% of total lending.

(3) Credit Card

The event "2% Cash Back on Even-Numbered Days" was introduced to concentrate consumption and procure the growth of average amount per transaction. The "gas station, hypermarket, online purchase, 3C physical channel and department store channel" were reinforced to maintain basic credit card transaction amount. Total credit card transaction amount in 2015 is \$65.416 Billion, representing a growth of 16.97% from 2014.

In terms of card issuance strategy, benefits for top-level cards are maintained and discount events are held to recruit good-quality clientele. Emphasis is made on first-year cycle management for new clients. Online and mobile usage is promoted and application procedures are simplified. Cooperation with a second transportation card is reinforced to control the emerging mobile payment market. Mobile credit cards such as OTA and HCE are developed to reinforce market competitiveness and to seek new clients. As of December 2015, the number of outstanding cards is 1,825,288.

#### (4) Fortune Management

The number of fortune management accounts and the total balance of assets under management by the Bank in 2015 grew 15% from 2014. In terms of operating income, business income from specific monetary trust grew 7% compared to last year (including 50% from quasi-discretionary insurance investment project). Insurance business grew 26% compared to same period of last year (including 50% from quasi-discretionary insurance investment project). The Bank will provide clients with more diversified financial products for their choice, expand the spectrum of specific monetary trust and insurance products and increase the overall fortune management income. The full-year operating income from fortune management business is \$937 Million, representing a growth of 18% compared to 2014.

#### (5) Operating Performance

The net interest income in 2015 is \$6.17 Billion. Non-interest net income is \$3.452 Billion. Total net income is \$9.622 Billion, representing an increase of \$772 Million, or a growth of 8.73%, compared to \$8.85 Billion in 2014. After bad debt provision of \$114 Million and deduction of operating cost of \$5.979 Billion, the full-year profit before tax is \$3.757 Billion, representing an increase of \$81.86 Million or a growth of 2.23% compared to 2014.

#### (6) Care for Local Community and Enterprise Responsibility

In 2015, the Bank launched image advertisements during the Chinese New Year period. To continue the Bank's brand spirit of caring for the local community and "saving simple happiness", the theme of the advertisement is the preservation of the mother tongue culture of the indigenous people in Taiwan, hoping that the people will care about and focus on Taiwan. In addition, the Bank is also dedicated to promoting various public interest, artistic and cultural and financial events, including public interest garden parties on Mother's Day in Taipei and Kaohsiung, purchase of carnations and roses from local flower growers, adoption of community parks, purchase of iPASS cards for donation to the Children Are Us Foundation and sponsorship of the LuKai Tribe Stone House Visit. The Bank also sponsored the oil painting art and children's painting competitions organized by the Union Culture and Art Foundation to nurture local artistic talents. In summer, children's finance camps are organized to promote financial knowledge and education. Through the invitation of the Youth Career Development Foundation, the Bank co-hosted the Cross Generation Exchange and Enterprise Visits to

engage in exchanges with the youth. At the end of the year, the Bank sponsored the 2016 Taipei Highest New Year Town, where the 12 traditional animals and kongming lanterns were displayed, creating a brand image of innovation for the Bank.

## **1. 2016 Operational Plan and Development Guidelines by Business**

(1) This year, the Bank will reinforce the expansion of scale of each business.

In terms of operational objectives, the Bank will insist on the spirit of local services, create long-term client relationships and create win-win values.

- i. Deposits: Continuously develop and upgrade functions combining deposits and financial services (launch of iPASS Debit card, ATM No-Card Withdrawal) to increase the stickiness of business dealings between the clients and the Bank. Launch payment forwarding services such as domestic electronic payments and Cash Outbound in order to provide the depositors with a full-service payment tool. Develop different deposit plans tailored for different clienteles (such as “Large Amount Term Deposit Interest Plan”, “Public and Educational Staff Deposit Plan”, “High Interest Current Savings Deposit” and “Interest Plus – Discretionary Payment Interest Plan”) to seek current deposits and new clients.
- ii. Corporate Finance: Adjust the product pricing strategy to increase profitability. Reinforce risk management. Maintain good asset quality. Actively develop industrial and commercial enterprise loans. Undertake self-repayment loans and loans for local manufacturing plants in Taiwan in priority. Reinforce general industrial financing. Increase debt protection through good-quality collaterals and credit endorsement funds. Focus on mid and small size enterprise loans in accordance with government policy. Provide government related project loans in a timely manner.
- iii. Consumer Finance: Promote housing loan credit business in a stable manner. Carefully select clients borrowing for own housing and with track record and repayment capability as main targets. Preference for collaterals with sound secondary markets. For vehicle loans, actively enter into alliance with good quality vehicle dealers for loan project cooperation in order to stabilize channels for used car loans. Develop the value of branch channels. Engage in targeted marketing based on market requirements. Observe market changes continuously and design consumer financing loan proposals targeted at different demographics to seek consistency



with market trend.

- iv. Credit Card: Continue the “2% Cash Back on Even-Numbered Days” event. Execute credit card promotions through seasonal projects or channels. Develop behavior of using United cards as the main transaction cards. Improve credit card market share. Reinforce digitalization of application procedure. Develop credit card mobile payment business. Continuously develop mid and large size and chain store merchants to promote Union Pay cards and installment plans.
- v. Fortune Management: Develop in-depth client relationship. Reinforce development of effective clients. Increase market share. Continuously introduce diversified products (such as: ETF, domestic structured products, overseas bonds, etc.) Increase options of diversified asset placement for clients.

## (2) Channel Development

- i. The Bank currently has 90 business locations inside the country. To develop overseas operational footprint and to expand the operational basis, the Bank has acquired the approval from the Financial Supervisory Commission to set up Hong Kong branches in Hong Kong. This will answer to the market trend of internationalization.
- ii. To provide the clients with more convenient services, the Bank has been actively developing off-bank ATMs over the past years. The objective is to improve the Bank’s brand image and recognition through channel extension. At the end of 2015, the Bank has set up a total of 736 in-bank and off-bank ATMs.
- iii. To answer to the clients’ full-service financing needs and to seek the most appropriate scale for the securities business, the Bank acquired the approval from the Financial Supervisory Commission in 2015 to add 3 new securities branches. Among them, Da Yeh and Sing Chong branches will open in January 2016. Fu Chiang branch is expected to open at the end of April 2016.

## (3) The Bank’s 2016 Estimated Operational Targets

i.

Type of Business	2016 Target
Deposit (including foreign currencies)	Average balance of NT\$459.1 Billion at the end of the year
Lending (excluding credit card)	Average balance of NT\$281.3 Billion at the end of the year

Foreign Exchange	Annual transaction of US\$4.675 Billion
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- ii. Improvement of operating performance related benchmarks:  
Including a level of lending ratio that is equal to or lower than the industry average and maintaining a capital level that is consistent with all capital ratio criteria in 2019 pursuant to BASEL 3 requirements.

With the supervision of all shareholders and the effort of all employees, we hope to achieve all operating targets and create even more outstanding performance to answer to the expectations of the shareholders and the society. We hope that all shareholders will continue to encourage and guide the Bank.

Chairman: Li Sian Chang    Manager: Ling Hong Liang    Accounting Head: Yang Ju Chang

Attachment

# **Union Bank of Taiwan**

## **Audit Committee Audit Report**

The Audit Committee has reviewed the 2015 business report and profit distribution table submitted by the board of directors of the Bank and the balance sheet, consolidated profit and loss statement, change of shareholders' equity, cash flow statement and consolidated financial statements audited by accountants Cheng Shu Rang and Huang Rui Chang of Deloitte and Touche and has found them to be consistent. This report is prepared in accordance with Article 14-4 of the Securities and Transaction Act and Article 219 of the Company Act.

To

Union Bank of Taiwan 2016 General Shareholder Meeting

Union Bank of Taiwan

Chairman of Audit Committee: Li Guo Chang

**16 March 2016**

## INDEPENDENT AUDITORS' REPORT

Attachment

The Board of Directors and Stockholders  
Union Bank of Taiwan

We have audited the accompanying balance sheets of Union Bank of Taiwan (the "Bank") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks.

March 16, 2016

### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

**UNION BANK OF TAIWAN**  
**BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(In Thousands of New Taiwan Dollars)

	2015		2014	
	Amount	%	Amount	%
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 7,839,492		\$ 9,476,656	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	63,312,965		67,260,453	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	8,815,810		18,373,136	4
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	22,052,189		26,350,581	5
RECEIVABLES, NET (Notes 4, 5, 10 and 12)	15,141,373		14,678,252	3
CURRENT TAX ASSETS (Note 4)	316,861		326,786	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 40)	280,781,558		257,632,121	54
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 5, 13 and 40)	22,911,977		13,699,485	3
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4 and 14)	4,191,245		521,266	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 15)	2,801,929		2,616,318	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 16 and 41)	60,966,251		56,639,357	12
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	7,712,684		7,722,206	2
INTANGIBLE ASSETS (Note 4)				
Goodwill (Notes 5 and 18)	1,985,307		1,985,307	-
Computer software	154,527		60,891	-
Total intangible assets	2,139,834		2,046,198	-
DEFERRED TAX ASSETS (Notes 4 and 38)	1,750,052		2,245,936	-
OTHER ASSETS, NET (Notes 4, 19, 40 and 42)	2,192,481		1,962,732	-
<b>TOTAL</b>	<b><u>\$502,926,701</u></b>		<b><u>\$481,551,483</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to the Central Bank and other banks (Note 20)	\$ 3,163,991		\$ 6,164,744	1
Financial liabilities at fair value through profit or loss (Notes 4, 5 and 8)	54,271		211,084	-
Securities sold under agreements to repurchase (Notes 4 and 21)	26,986,936		31,791,276	7
Accounts payable (Notes 22 and 40)	3,991,542		5,456,071	1
Current tax liabilities (Note 4)	28,381		-	-
Deposits (Notes 23 and 40)	421,834,194		396,410,432	82
Bank debentures (Notes 4 and 24)	9,600,000		7,400,000	2
Other financial liabilities (Note 25)	20,408		18,928	-
Provisions (Notes 4, 12 and 26)	1,026,155		942,785	-
Deferred tax liabilities (Notes 4 and 38)	869,197		699,730	-
Other liabilities (Notes 28, 40 and 42)	461,462		418,311	-
Total liabilities	<u>468,036,537</u>		<u>449,513,361</u>	<u>93</u>
<b>EQUITY</b>				
Capital stock				
Common stock	26,051,524		24,509,306	5
Capital surplus	32,413		33,006	-
Retained earnings				
Legal reserve	3,450,907		2,522,768	-
Special reserve	558,842		558,842	-
Unappropriated earnings	3,078,201		3,045,300	1
Total retained earnings	<u>7,087,950</u>		<u>6,126,910</u>	<u>1</u>
Other equity	1,718,277		1,368,900	1
Total equity	<u>34,890,164</u>		<u>32,038,122</u>	<u>7</u>
<b>TOTAL</b>	<b><u>\$502,926,701</u></b>		<b><u>\$481,551,483</u></b>	<b><u>100</u></b>

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

# UNION BANK OF TAIWAN

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	
NET INTEREST (Notes 4, 30 and 40)					
Interest revenues	\$ 10,129,098	105	\$ 9,548,551	108	6
Interest expenses	<u>3,959,175</u>	<u>41</u>	<u>3,681,523</u>	<u>42</u>	8
Net interest	<u>6,169,923</u>	<u>64</u>	<u>5,867,028</u>	<u>66</u>	5
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4, 31 and 40)	2,087,504	22	1,954,099	22	7
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 32)	420,635	4	469,382	5	(10)
Realized gain from available-for-sale financial assets, net (Notes 4 and 33)	248,489	3	147,797	2	68
Share of profit of associates (Note 4)	169,441	2	153,314	2	11
Foreign exchange gain, net (Note 4)	495,162	5	205,885	2	141
Impairment loss recognized on financial assets, net (Notes 4, 16 and 34)	(104,843)	(1)	-	-	-
Securities brokerage fee revenues, net (Note 40)	64,113	1	67,461	1	(5)
Gain on financial assets measured at cost, net	48,650	-	49,990	1	(3)
Property loss, net	(948)	-	(1,814)	-	(48)
Other noninterest net gains (losses)	<u>23,887</u>	<u>-</u>	<u>(63,627)</u>	<u>(1)</u>	138
TOTAL NET REVENUES	<u>9,622,013</u>	<u>100</u>	<u>8,849,515</u>	<u>100</u>	9
PROVISIONS (Notes 4 and 12)					
Reversal of allowance for doubtful accounts	<u>(113,942)</u>	<u>(1)</u>	<u>(494,806)</u>	<u>(6)</u>	(77)
OPERATING EXPENSES					
Personnel expenses (Notes 4, 27, 35 and 40)	2,815,815	29	2,743,129	31	3
Depreciation and amortization (Notes 4 and 36)	252,477	3	203,904	2	24
Others (Notes 37 and 40)	<u>2,910,248</u>	<u>30</u>	<u>2,721,734</u>	<u>31</u>	7

(Continued)

**UNION BANK OF TAIWAN**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Total operating expenses	<u>5,978,540</u>	<u>62</u>	<u>5,668,767</u>	<u>64</u>	5
INCOME BEFORE INCOME TAX	3,757,415	39	3,675,554	42	2
INCOME TAX EXPENSE (Notes 4 and 38)	<u>636,513</u>	<u>6</u>	<u>581,759</u>	<u>7</u>	9
NET INCOME	<u>3,120,902</u>	<u>33</u>	<u>3,093,795</u>	<u>35</u>	1
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 27)	(61,045)	(1)	(72,868)	(1)	(16)
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	162	-	(6,336)	-	103
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 38)	<u>10,378</u>	<u>-</u>	<u>12,387</u>	<u>-</u>	(16)
	<u>(50,505)</u>	<u>(1)</u>	<u>(66,817)</u>	<u>(1)</u>	(24)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	80,338	1	560,226	6	(86)
Unrealized gain on available-for-sale financial assets	340,347	4	224,145	3	52
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	37,123	-	(80,921)	(1)	146
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 38)	<u>(108,431)</u>	<u>(1)</u>	<u>(166,428)</u>	<u>(2)</u>	(35)
	<u>349,377</u>	<u>4</u>	<u>537,022</u>	<u>6</u>	(35)
Other comprehensive income for the year, net of income tax	<u>298,872</u>	<u>3</u>	<u>470,205</u>	<u>5</u>	(36)
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,419,774</u>	<u>36</u>	<u>\$ 3,564,000</u>	<u>40</u>	(4)

(Continued)



# UNION BANK OF TAIWAN

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2015		2014		Percentag e Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)					
Basic	<u>\$1.20</u>		<u>\$1.19</u>		
Diluted	<u>\$1.19</u>		<u>\$1.19</u>		

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

(Concluded)

**UNION BANK OF TAIWAN**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)**

	Capital Stock (Notes 29 and 35) Common Stock		Retained Earnings (Notes 4 and 29)				Other Equity (Notes 4 and 29)			
			Share Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Exchange Differences on Translating Foreign Operations	Total
BALANCE AT JANUARY 1, 2014	\$ 22,165,251	\$ 34,288	\$ 1,685,037	\$ 914,439	\$ 2,792,439	\$ 5,391,915	\$ 909,507	\$ (77,629)	\$ 831,878	\$ 28,423,332
Appropriation of the 2013 earnings										
Legal reserve	-	-	837,731	-	(837,731)	-	-	-	-	-
Cash dividends on preferred shares	-	-	-	-	(8,962)	(8,962)	-	-	-	(8,962)
Stock dividends on common shares	2,283,021	-	-	-	(2,283,021)	(2,283,021)	-	-	-	-
Reversal of special reserve	-	-	-	(355,597)	355,597	-	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	3,093,795	3,093,795	-	-	-	3,093,795
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(66,817)	(66,817)	120,140	416,882	537,022	470,205
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	3,026,978	3,026,978	120,140	416,882	537,022	3,564,000
Share-based payment	61,034	(1,282)	-	-	-	-	-	-	-	59,752
BALANCE AT DECEMBER 31, 2014	24,509,306	33,006	2,522,768	558,842	3,045,300	6,126,910	1,029,647	339,253	1,368,900	32,038,122
Appropriation of the 2014 earnings										
Legal reserve	-	-	928,139	-	(928,139)	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	(637,242)	(637,242)	-	-	-	(637,242)
Stock dividends on common shares	1,470,558	-	-	-	(1,470,558)	(1,470,558)	-	-	-	-
Net income for the for the year ended December 31, 2015	-	-	-	-	3,120,902	3,120,902	-	-	-	3,120,902
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(50,505)	(50,505)	272,581	76,796	349,377	298,872
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	3,070,397	3,070,397	272,581	76,796	349,377	3,419,774
Share-based payment	71,660	(593)	-	-	(1,557)	(1,557)	-	-	-	69,510
BALANCE AT DECEMBER 31, 2015	\$ 26,051,524	\$ 32,413	\$ 3,450,907	\$ 558,842	\$ 3,078,201	\$ 7,087,950	\$ 1,302,228	\$ 416,049	\$ 1,718,277	\$ 34,890,164

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

**UNION BANK OF TAIWAN**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(In Thousands of New Taiwan Dollars)**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,757,415	\$ 3,675,554
Adjustments for:		
Depreciation expenses	207,769	170,911
Amortization expenses	44,708	32,993
Reversal of allowance for doubtful accounts	(113,942)	(494,806)
Net gain on disposal of financial assets designated as at fair value through profit or loss	(420,635)	(469,382)
Interest expenses	3,959,175	3,681,523
Interest revenues	(10,129,098)	(9,548,551)
Dividend income	(228,904)	(87,464)
Share of profit of associates	(169,441)	(153,314)
Loss on disposal of properties and equipment	948	1,814
Gain on disposal of investments	(68,234)	(110,320)
Reversal of impairment losses on nonfinancial asset	(15,157)	-
Impairment loss recognized on financial assets	120,000	-
Loss on disposal of distressed debt	-	65,897
Gain on disposal of collaterals	(6,593)	-
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans banks	1,947,488	(386,401)
Decrease (increase) in financial assets at fair value through profit or loss	10,205,190	(6,350,889)
Increase in accounts receivable	(161,484)	(780,117)
Increase in discounts and loans	(23,205,947)	(27,256,804)
Increase in available-for-sale financial assets	(8,803,577)	(4,864,527)
Increase in held-to-maturity financial assets	(3,657,614)	(95,875)
Decrease (increase) in other financial assets	(4,486,698)	1,359,955
Increase (decrease) in due to the Central Bank and other banks	(3,000,753)	1,240,133
Decrease in financial liabilities at fair value through profit or loss	(389,629)	(1,655,522)
Increase (decrease) in securities sold under repurchase agreements	(4,804,340)	7,208,619
Increase (decrease) in accounts payable	(1,522,300)	1,328,884
Increase in deposits	25,423,762	31,290,271
Increase (decrease) in other financial liabilities	1,480	(182,930)
Increase (decrease) in provisions for employee benefits	(1,203)	7,440
Cash used in operations	(15,517,614)	(2,372,908)
Interest received	10,076,814	9,700,672
Dividend received	259,940	119,996
Interest paid	(3,938,059)	(3,662,732)
Income tax paid	(31,386)	(178,635)
Net cash generated from (used in) operating activities	<u>(9,150,305)</u>	<u>3,606,393</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for properties and equipment	(142,922)	(242,469)

(Continued)

**UNION BANK OF TAIWAN**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(In Thousands of New Taiwan Dollars)**

	<b>2015</b>	<b>2014</b>
Proceeds of the disposal of properties and equipment	1,080	95
Increase in settlement fund	-	(845)
Decrease in settlement fund	24,443	-
Increase in refundable deposits	(197,691)	(74,762)
Payments for intangible assets	(89,532)	(31,056)
Proceeds of the disposal of collaterals	21,750	-
Decrease (increase) in other assets	<u>(56,501)</u>	<u>37,973</u>
Net cash used in investing activities	<u>(439,373)</u>	<u>(311,064)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of the issue bank debentures	2,200,000	-
Increase (decrease) in guarantee deposits received	(11,866)	6,302
Increase in other liabilities	27,226	55,922
Cash dividends paid	<u>(637,242)</u>	<u>(8,962)</u>
Net cash generated from financing activities	<u>1,578,118</u>	<u>53,262</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>76,004</u>	<u>554,167</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(7,935,556)	3,902,758
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>85,927,237</u>	<u>82,024,479</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 77,991,681</u>	<u>\$ 85,927,237</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2015 and 2014:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash and cash equivalents in balance sheets	\$ 7,839,492	\$ 9,476,656
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 "Cash Flow Statements"	48,100,000	50,100,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>22,052,189</u>	<u>26,350,581</u>
Cash and cash equivalents in statements of cash flows	<u>\$ 77,991,681</u>	<u>\$ 85,927,237</u>

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Union Bank of Taiwan

We have audited the accompanying consolidated balance sheets of Union Bank of Taiwan (the "Bank") and its subsidiaries (collectively referred to as the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Union Bank of Taiwan and its subsidiaries as of December 31, 2015 and 2014 and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of the parent company, Union Bank of Taiwan, as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified report.

March 16, 2016

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**UNION BANK OF TAIWAN AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 8,346,755	2	\$ 9,590,048	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	63,312,965	12	67,260,453	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	9,058,815	2	18,614,020	4
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	22,072,191	4	26,371,487	5
RECEIVABLES, NET (Notes 4, 5, 10 and 12)	15,217,776	3	14,781,594	3
CURRENT TAX ASSETS (Note 4)	322,660	-	332,275	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 43)	278,801,052	55	255,787,180	53
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 5, 13 and 43)	23,319,718	5	13,974,008	3
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4 and 14)	4,207,436	1	534,200	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 16 and 17)	53,794	-	54,183	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 17 and 44)	61,133,831	12	56,835,380	12
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	7,723,438	2	7,732,876	2
INVESTMENT PROPERTIES, NET (Notes 4, 19 and 27)	3,703,410	1	3,691,781	1
INTANGIBLE ASSETS (Notes 4, 5 and 20)				
Goodwill	1,985,307	-	1,985,307	-
Computer software	158,933	-	65,692	-
Total intangible assets	<u>2,144,240</u>	-	<u>2,050,999</u>	-
DEFERRED TAX ASSETS (Notes 4 and 41)	1,886,538	-	2,407,704	-
OTHER ASSETS, NET (Notes 4, 21, 43 and 45)	<u>7,184,578</u>	<u>1</u>	<u>6,463,385</u>	<u>1</u>
<b>TOTAL</b>	<b><u>\$ 508,489,197</u></b>	<b><u>100</u></b>	<b><u>\$ 486,481,573</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to the Central Bank and other banks (Note 22)	\$ 3,781,976	1	\$ 6,748,799	1
Financial liabilities at fair value through profit or loss (Notes 4, 5 and 8)	54,271	-	211,084	-
Securities sold under agreements to repurchase (Notes 4 and 23)	26,986,936	5	31,791,276	7
Accounts payable (Note 24)	4,061,998	1	5,567,108	1
Current tax liabilities (Note 4)	49,618	-	9,849	-
Deposits (Notes 25 and 43)	421,018,106	83	395,852,404	81
Bank debentures (Note 26)	9,600,000	2	7,400,000	2
Bonds payable (Note 27)	604,397	-	-	-
Other financial liabilities (Note 28)	2,679,438	1	2,517,176	1
Provisions (Notes 4, 29 and 30)	1,044,534	-	959,941	-
Deferred tax liabilities (Notes 4 and 41)	881,731	-	707,731	-
Other liabilities (Notes 31 and 45)	<u>2,575,775</u>	-	<u>2,409,132</u>	-
Total liabilities	<u>473,338,780</u>	<u>93</u>	<u>454,174,500</u>	<u>93</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>				
Capital stock				
Common stock	<u>26,051,524</u>	<u>5</u>	<u>24,509,306</u>	<u>5</u>
Capital surplus	<u>32,413</u>	-	<u>33,006</u>	-
Retained earnings				
Legal reserve	3,450,907	1	2,522,768	-
Special reserve	558,842	-	558,842	-
Unappropriated earnings	<u>3,078,201</u>	<u>1</u>	<u>3,045,300</u>	<u>1</u>
Total retained earnings	<u>7,087,950</u>	<u>2</u>	<u>6,126,910</u>	<u>1</u>
Other equity	<u>1,718,277</u>	-	<u>1,368,900</u>	<u>1</u>
Total equity attributable to owners of the Bank	34,890,164	7	32,038,122	7
NON-CONTROLLING INTERESTS	<u>260,253</u>	-	<u>268,951</u>	-
Total equity	<u>35,150,417</u>	<u>7</u>	<u>32,307,073</u>	<u>7</u>
<b>TOTAL</b>	<b><u>\$ 508,489,197</u></b>	<b><u>100</u></b>	<b><u>\$ 486,481,573</u></b>	<b><u>100</u></b>

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

**UNION BANK OF TAIWAN AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST (Notes 33 and 43)					
Interest revenues	\$ 10,098,167	86	\$ 9,516,680	87	6
Interest expenses	<u>4,013,743</u>	<u>34</u>	<u>3,730,345</u>	<u>34</u>	8
Net interest	6,084,424	52	5,786,335	53	5
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 34 and 43)	2,279,396	19	2,128,262	19	7
Gain on financial assets and liabilities at fair value through profit or loss, net (Note 35)	412,352	4	480,207	4	(14)
Realized gain from available-for-sale financial assets, net (Note 36)	254,628	2	153,874	1	65
Foreign exchange gain, net	491,070	4	199,691	2	146
Reversal of asset impairment, net (Note 37)	(104,843)	(1)	(654)	-	15,931
Share of loss of associates	(389)	-	(6,791)	-	(94)
Gain on financial assets measured at cost, net	52,905	1	54,110	1	(2)
Securities brokerage fee revenues, net (Note 43)	186,851	2	213,943	2	(13)
Rental revenue	2,037,214	17	1,931,836	18	5
Other noninterest net gain (loss)	<u>47,114</u>	<u>-</u>	<u>(5,872)</u>	<u>-</u>	902
TOTAL NET REVENUES	<u>11,740,722</u>	<u>100</u>	<u>10,934,941</u>	<u>100</u>	7
PROVISIONS (Note 12)					
Reversal of allowance for doubtful accounts	<u>(113,942)</u>	<u>(1)</u>	<u>(494,806)</u>	<u>(4)</u>	(77)
OPERATING EXPENSES					
Personnel expenses (Notes 4, 30 and 38)	3,036,000	26	2,971,179	27	2
Depreciation and amortization (Note 39)	1,707,178	14	1,634,372	15	4
Others (Notes 40 and 43)	<u>3,271,222</u>	<u>28</u>	<u>3,086,400</u>	<u>28</u>	6
Total operating expenses	<u>8,014,400</u>	<u>68</u>	<u>7,691,951</u>	<u>70</u>	4

(Continued)

**UNION BANK OF TAIWAN AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	3,840,264	33	3,737,796	34	3
INCOME TAX EXPENSE (Notes 4 and 41)	<u>701,340</u>	<u>6</u>	<u>614,311</u>	<u>5</u>	14
CONSOLIDATED NET INCOME	<u>3,138,924</u>	<u>27</u>	<u>3,123,485</u>	<u>29</u>	-
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 30)	(60,856)	(1)	(80,546)	(1)	(24)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 41)	10,346	-	13,693	-	(24)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	115,969	1	502,267	5	(77)
Unrealized gain on available-for-sale financial assets	347,896	3	191,330	2	82
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 41)	<u>(114,488)</u>	<u>(1)</u>	<u>(156,575)</u>	<u>(2)</u>	(27)
Other comprehensive income for the year, net of income tax	<u>298,867</u>	<u>2</u>	<u>470,169</u>	<u>4</u>	(36)
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,437,791</u>	<u>29</u>	<u>\$ 3,593,654</u>	<u>33</u>	(4)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 3,120,902	27	\$ 3,093,795	29	1
Non-controlling interests	<u>18,022</u>	-	<u>29,690</u>	-	(39)
	<u>\$ 3,138,924</u>	<u>27</u>	<u>\$ 3,123,485</u>	<u>29</u>	-

(Continued)



# UNION BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 3,419,774	29	\$ 3,564,000	33	(4)
Non-controlling interests	<u>18,017</u>	-	<u>29,654</u>	-	(39)
	<u>\$ 3,437,791</u>	<u>29</u>	<u>\$ 3,593,654</u>	<u>33</u>	(4)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 42)					
Basic	<u>\$1.20</u>		<u>\$1.19</u>		
Diluted	<u>\$1.19</u>		<u>\$1.19</u>		

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

**UNION BANK OF TAIWAN AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company								Other Equity (Notes 4 and 32)			Non-controlling Interests	Total Equity	
	Capital Stock (Note 32)			Capital Surplus (Note 32)	Retained Earnings (Notes 4 and 32)				Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Total			
	Common Stock	Preferred Stock	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2014	\$ 22,165,251	\$ -	\$ 22,165,251	\$ 34,288	\$ 1,685,037	\$ 914,439	\$ 2,792,439	\$ 5,391,915	\$ 909,507	\$ (77,629)	\$ 831,878	\$ 28,423,332	\$ 257,042	\$ 28,680,374
Appropriation of the 2013 earnings														
Legal reserve	-	-	-	-	837,731	-	(837,731)	-	-	-	-	-	-	-
Cash dividends on preferred shares	-	-	-	-	-	-	(8,962)	(8,962)	-	-	-	(8,962)	-	(8,962)
Stock dividends on common shares	2,283,021	-	2,283,021	-	-	-	(2,283,021)	(2,283,021)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(355,597)	355,597	-	-	-	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	-	-	3,093,795	3,093,795	-	-	-	3,093,795	29,690	3,123,485
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	(66,817)	(66,817)	120,140	416,882	537,022	470,205	(36)	470,169
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	3,026,978	3,026,978	120,140	416,882	537,022	3,564,000	29,654	3,593,654
Share-based payment	61,034	-	61,034	(1,282)	-	-	-	-	-	-	-	59,752	-	59,752
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(17,745)	(17,745)
BALANCE AT DECEMBER 31, 2014	24,509,306	-	24,509,306	33,006	2,522,768	558,842	3,045,300	6,126,910	1,029,647	339,253	1,368,900	32,038,122	268,951	32,307,073
Appropriation of the 2014 earnings														
Legal reserve	-	-	-	-	928,139	-	(928,139)	-	-	-	-	-	-	-
Cash dividends on preferred shares	-	-	-	-	-	-	(637,242)	(637,242)	-	-	-	(637,242)	-	(637,242)
Stock dividends on common shares	1,470,558	-	1,470,558	-	-	-	(1,470,558)	(1,470,558)	-	-	-	-	-	-
Net income for the for the year ended December 31, 2015	-	-	-	-	-	-	3,120,902	3,120,902	-	-	-	3,120,902	18,022	3,138,924
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	(50,505)	(50,505)	272,581	76,796	349,377	298,872	(5)	298,867
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	3,070,397	3,070,397	272,581	76,796	349,377	3,419,774	18,017	3,437,791
Conversion of preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	(26,715)	(26,715)
Share-based payment	71,660	-	71,660	(593)	-	-	(1,557)	(1,557)	-	-	-	69,510	-	69,510
BALANCE AT DECEMBER 31, 2015	\$ 26,051,524	\$ -	\$ 26,051,524	\$ 32,413	\$ 3,450,907	\$ 558,842	\$ 3,078,201	\$ 7,087,950	\$ 1,302,228	\$ 416,049	\$ 1,718,277	\$ 34,890,164	\$ 260,253	\$ 35,150,417

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

**UNION BANK OF TAIWAN AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(In Thousands of New Taiwan Dollars)**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,840,264	\$ 3,737,796
Adjustments for:		
Depreciation expenses	1,659,953	1,599,068
Amortization expenses	47,225	35,304
Reversal of allowance for doubtful accounts	(113,942)	(494,806)
Net gain on disposal of financial assets designated as at fair value through profit or loss	(412,352)	(480,207)
Interest expenses	4,013,743	3,730,345
Interest revenues	(10,098,167)	(9,516,680)
Dividend income	(236,354)	(94,819)
Share of loss of associates	389	6,791
Gain on disposal of properties and equipment	(27,504)	(19,553)
Gain on disposal of investments	(72,681)	(112,978)
Impairment loss recognized on financial assets	120,000	654
Loss on sale of distress debt	-	65,897
Reversal of impairment losses on nonfinancial assets	(15,157)	-
Gain on disposal of collaterals	(6,593)	-
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to banks	1,947,488	(386,401)
Decrease (increase) in financial assets at fair value through profit or loss	10,194,787	(6,328,889)
Increase in accounts receivable	(134,478)	(727,754)
Increase in discounts and loans	(23,070,382)	(27,579,651)
Increase in available-for-sale financial assets	(8,929,244)	(4,957,962)
Increase in held-to maturity financial assets	(3,660,871)	(96,593)
Decrease (increase) in other financial assets	(4,453,808)	918,530
Increase (decrease) in due to the Central Bank and other banks	(2,966,823)	1,433,686
Decrease in financial liabilities at fair value through profit or loss	(389,630)	(1,655,522)
Increase (decrease) in securities sold under repurchase agreements	(4,804,340)	7,208,619
Increase (decrease) in accounts payable	(1,563,426)	1,335,606
Increase in deposits	25,165,702	31,767,822

Increase (decrease) in other financial liabilities	1,480	(182,930)
Increase (decrease) in provisions for employee benefits	<u>(271)</u>	<u>129</u>
Cash used in operations	(13,964,992)	(794,498)
Interest received	10,045,816	9,721,290
Dividends received	241,941	97,168
Interest paid	(3,992,082)	(3,706,634)
Income tax paid	<u>(60,933)</u>	<u>(219,951)</u>
Net cash generated from (used in) operating activities	<u>(7,730,250)</u>	<u>5,097,375</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for properties and equipment	(147,896)	(244,023)

(Continued)

# UNION BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Proceeds of the disposal of properties and equipment	775	1,672
Payments for investment properties	(2,954)	(929,569)
Increase in settlement fund	-	(845)
Decrease in settlement fund	24,443	-
Increase in refundable deposits	(198,979)	(75,616)
Payments for intangible assets	(82,294)	(22,316)
Proceeds of the disposal of collaterals	21,750	-
Increase in other assets	<u>(1,949,914)</u>	<u>(1,375,386)</u>
Net cash used in investing activities	<u>(2,335,069)</u>	<u>(2,646,083)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper	160,782	519,120
Proceeds of the issue of bank debentures	604,397	-
Proceeds of bank debentures	2,200,000	-
Increase in guarantee deposits received	104,727	10,381
Increase in other liabilities	34,125	41,000
Dividends paid to non-controlling interests	(26,715)	(17,745)
Cash dividends paid	<u>(637,242)</u>	<u>(8,962)</u>
Net cash generated from financing activities	<u>2,440,074</u>	<u>543,794</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>82,656</u>	<u>502,267</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(7,542,589)	3,497,353
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>86,061,535</u>	<u>82,564,182</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 78,518,946</u>	<u>\$ 86,061,535</u>

(Continued)

# UNION BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

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Reconciliation of the cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of December 31, 2015 and 2014:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash and cash equivalents in the consolidated balance sheets	\$ 8,346,755	\$ 9,590,048
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 “Cash Flow Statements”	48,100,000	50,100,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>22,072,191</u>	<u>26,371,487</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 78,518,946</u>	<u>\$ 86,061,535</u>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

## Union Bank of Taiwan

## Profit Distribution Table

2015

Unit: NT\$

Item	Amount	
Beginning Undistributed Profit		9,361,328
After-Tax Profit in Current Period		3,120,902,065
Reserved Earnings from Actuated Profit and Loss		(50,505,122)
Debit Reserved Earnings from Capitalization of Employee Bonus		(1,556,647)
Provision of Legal Reserve for Current Year		(923,460,487)
Distributable Profit from Current Period		2,154,741,137
Distribution Ordinary Share Dividend (\$0.4 per share)	(1,042,060,971)	(1,042,060,971)
Ending Undistributed Profit		1,112,680,166

## Notes:

1. In accordance with the regulation of the Ministry of Finance Tai-Cao-Shui No. 871941343 date 30 April 1998, in distributing profit, individual identification should be adopted. The 2015 profit should be distributed in priority in this profit distribution.
2. Cash cash dividend will be distributed in proportion to the shareholding ratio and the minimum calculation unit shall be one dollar. Any fraction of a dollar shall be recorded as other income by the Bank.

Chairman: Li Sian Chang    Manager: Ling Hong Liang    Accounting Head: Yang Ju Chang

Table of Comparison Showing Clauses  
Before and After Amendment to Articles of Association

New Clause	Clause after Amendment	Original Clause	Clause before Amendment	Remarks
Article 10	<p>The Bank's scope of business is <u>H101021 commercial bank business, H601011 Physical insurance agent, H601021 Property insurance agent, and</u> operates the following business:</p> <ol style="list-style-type: none"> <li>1. <u>Commercial bank business.</u></li> <li>2. <u>Physical insurance agent business.</u></li> <li>3. <u>Property insurance agent business.</u></li> <li>4. <u>Other related businesses approved by the competent authority.</u></li> </ol>	Article 10	The Bank operates the following business: H101021 Commercial bank business.	This clause is amended pursuant to the Bank's application to operate physical insurance agency business and to add the business of property insurance agency. The articles of association are amended to add the business scope and pursuant to the requirement of the competent authority and change registration is made in accordance with the Company Act.
Article 38	If the Bank has <u>profit at year-end closing, the board of directors shall, in consideration of the operating performance of the current year, provide employee remuneration and</u>	Article 38	If the Bank has <u>profit at year-end closing, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated. Then 30%</u>	In accordance with newly added Article 235-1 of the Company Act, the company should specify



New Clause	Clause after Amendment	Original Clause	Clause before Amendment	Remarks
	<p><u>director remuneration in the following manner:</u></p> <p><u>(1) Employee remuneration: Between 1-5% of the profit, if employee remuneration is paid in stock, the beneficiaries may include employees of subsidiaries that meet certain conditions. The board of directors is authorized to determine such conditions.</u></p> <p><u>(2) Director Remuneration: No more than 0.1% of the profit.</u></p> <p><u>The board of directors is authorized to determine the manner of distribution of the employee remuneration and director remuneration under the previous paragraph. However, if the Bank has accumulated losses, provision shall first be made to compensate the losses before employee remuneration and director remuneration are provided based on the ratios under the previous paragraph.</u></p>		<p><u>shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount, together with the accumulated undistributed profit from the previous year, shall be use to distribute ordinary share dividend. If any amount is remaining, distribution shall be made based on the following ratios:</u></p> <p><u>(1) At least 10% as employee bonus: If employee remuneration is paid in stock, the beneficiaries may include employees of subsidiaries that meet certain conditions. The board of directors is authorized to determine such conditions.</u></p> <p><u>(2) 0.5% as director remuneration.</u></p> <p><u>(3) The board of directors shall propose shareholder bonus for general shareholder meeting's resolution. The dividend and</u></p>	<p>in the articles of association provisions related to employee remuneration. Thus this clause is amended. The original provisions about profit, dividend and bonus distribution is moved to the following paragraph.</p>

New Clause	Clause after Amendment	Original Clause	Clause before Amendment	Remarks
			<p><u>shareholder bonus under the first paragraph shall be distributed in cash or in stock, as determined by the board of directors based on the financial status at the time, future profitability status and capital budget planning of the Bank. In principle, if the ratio between the Bank's own capital and risky asset after distribution will be lower than the ratio stipulated by the competent authority by 1%, stock dividend may be issued in priority. However, before the level reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of total capital.</u></p> <p>The board of directors is authorized to determine the manner of distribution of the <u>employee bonus</u> and director remuneration <u>under the first paragraph.</u></p>	

New Clause	Clause after Amendment	Original Clause	Clause before Amendment	Remarks
Article 39	<p>If the Bank has profit at year-end closing, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated. Then 30% shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount, together with the accumulated undistributed profit from the previous year, shall be <u>subject to a profit distribution proposal to be prepared by the board of directors and submitted to the shareholders meeting for resolution of the distribution of shareholder dividend and bonus.</u></p> <p>The dividend and shareholder bonus under the first paragraph shall be distributed in cash or in stock, as determined by the board of directors based on the financial status at the time, future profitability status and capital budget planning of the <u>Bank</u>. In principle, if the ratio between the Bank's own capital and risky asset after distribution will be lower than the ratio stipulated by the</p>	Article 38	<p>If the Bank has profit at year-end closing, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated. Then 30% shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount, together with the accumulated undistributed profit from the previous year, shall be use to <u>distribute ordinary share dividend. If any amount is remaining, distribution shall be made based on the following ratios:</u></p> <p><u>(1) At least 10% as employee bonus: If employee remuneration is paid in stock, the beneficiaries may include employees of subsidiaries that meet certain conditions. The board of directors is authorized to determine such conditions.</u></p> <p><u>(2) 0.5% as director</u></p>	Following the deletion of Article 235 of the Company Act about employee bonus distribution, it is proposed that the provisions about profit, dividend and bonus under the original Article 38 be moved under this article.

New Clause	Clause after Amendment	Original Clause	Clause before Amendment	Remarks
	<p>competent authority by 1%, stock dividend may be issued in priority; before the level reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of total capital.</p>		<p><u>remuneration.</u>  <del>(3) The board of directors shall propose shareholder bonus for general shareholder meeting's resolution.</del>  The dividend and <u>shareholder bonus under the first paragraph</u> shall be distributed in cash or in stock, as determined by the board of directors based on the financial status at the time, future profitability status and capital budget planning of the Bank. In principle, if the ratio between the Bank's own capital and risky asset after distribution will be lower than the ratio stipulated by the competent authority by 1%, stock dividend may be issued in priority. <u>However</u>, before the level reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of total capital.  <u>The board of directors is authorized to determine the manner of distribution of the employee bonus and director remuneration</u></p>	

New Clause	Clause after Amendment	Original Clause	Clause before Amendment	Remarks
			<u>under the first paragraph.</u>	
Article 40	When the legal reserve provided has reached the capital amount, no provision needs to be made for the current period.	Article 39	When the legal reserve provided has reached the capital amount, no provision needs to be made for the current period.	Change of article number
Article 41	The organizational charter, levels of responsibility and other charters of each department of the Bank shall be established by the board of directors.	Article 40	The organizational charter, levels of responsibility and other charters of each department of the Bank shall be established by the board of directors.	Change of article number
Article 42	Any matter that is not stipulated in these articles of association shall be handled in accordance with the Banking Act, the Company Act and applicable laws.	Article 41	Any matter that is not stipulated in these articles of association shall be handled in accordance with the Banking Act, the Company Act and applicable laws.	Change of article number
Article 43	These articles of association were established on 20 August 1990. The first amendment was made on 24 April 1993. The second amendment was made on 12 April 1995. The third amendment was made on 23 April 1996. The fourth amendment was made on 18	Article 42	These articles of association were established on 20 August 1990. The first amendment was made on 24 April 1993. The second amendment was made on 12 April 1995. The third amendment was made on 23 April 1996.	Upon approval by the shareholders meeting, the following is added: "The twenty-first amendment was made on 8 June 2016".

New Clause	Clause after Amendment	Original Clause	Clause before Amendment	Remarks
	<p>April 1997. The fifth amendment was made on 20 April 1998. The sixth amendment was made on 3 May 1999. The seventh amendment was made on 10 May 2000. The eighth amendment was made on 19 April 2001. The ninth amendment was made on 17 June 2002. The tenth amendment was made on 27 May 2003. The eleventh amendment was made on 11 June 2004. The twelfth amendment was made on 9 June 2006. The thirteenth amendment was made on 15 June 2007. The fourteenth amendment was made on 13 June 2008. The fifteenth amendment was made on 19 June 2009. The sixteenth amendment was made on 23 April 2010. The seventeenth amendment was made on 9 June 2011. The eighteenth amendment was made on 22 June 2012. The nineteenth amendment was made on 6 June 2014. The twentieth amendment was made on 26 June 2015. <u>The twenty-first amendment was made on 8 June 2016.</u></p>		<p>The fourth amendment was made on 18 April 1997. The fifth amendment was made on 20 April 1998. The sixth amendment was made on 3 May 1999. The seventh amendment was made on 10 May 2000. The eighth amendment was made on 19 April 2001. The ninth amendment was made on 17 June 2002. The tenth amendment was made on 27 May 2003. The eleventh amendment was made on 11 June 2004. The twelfth amendment was made on 9 June 2006. The thirteenth amendment was made on 15 June 2007. The fourteenth amendment was made on 13 June 2008. The fifteenth amendment was made on 19 June 2009. The sixteenth amendment was made on 23 April 2010. The seventeenth amendment was made on 9 June 2011. The eighteenth amendment was made on 22 June 2012. The nineteenth amendment was made on</p>	

<b>New Clause</b>	<b>Clause after Amendment</b>	<b>Original Clause</b>	<b>Clause before Amendment</b>	<b>Remarks</b>
			6 June 2014. The twentieth amendment was made on 26 June 2015.	

(In the event of inconsistencies between versions, the Mandarin Chinese version shall prevail.)