

Stock Code : 2838

# Union Bank of Taiwan

2019 General Shareholders

Procedure Manual

9 a.m., 31 May 2019 (Friday)

No. 16, Sec. 4, Jhongshan N. Rd., Taipei City  
CHIENTAN OVERSEAS YOUTH ACTIVITY CENTER  
CHUN-YING Hall  
(Second floor at Ching-Kuo Memorial Hall)

# Table of Contents

I.	Meeting Agenda-----	1
	1. Reports	
	(1) 2018 Business Report -----	2
	(2) 2018 Audit Committee Audit Report -----	2
	(3) 2018 Report on Employee and Director Remuneration Distribution Status -----	2
	2. Approvals	
	(1) Approval of 2018 Business Report and Financial Statements -----	3
	(2) Approval of 2018 Profit Distribution Proposal -----	3
	3. Discussions	
	(1) Proposed amendment to certain clauses of the Articles of Association of the Bank -----	4
	(2) Proposal for amendment to certain clauses in the "Handling Procedures for Acquisition or Disposal of Assets" formulated by the Bank-----	4
	(3) Discuss the company's surplus to allocate capital to issue new share.-----	4
	4. Motions	
	5. Adjournment	
II.	Attachment	
	1. 2018 Business Report-----	6
	2. Audit Committee Audit Report-----	11
	3. Independent Auditor' s Report -----	12
	4. 2018 Profit Distribution Table-----	37
	5. Table of Comparison Showing Clauses Amendment to Articles of Association-----	38
	6. "Handling Procedures for Acquisition or Disposal of Assets" Table of Comparison Showing Clauses Amendment-----	42
III.	Appendix	
	1. The Bank's Shareholders Meeting Procedure Rules -----	61
	2. The Bank's Articles of Association -----	67
	3. Impact of Share Distribution without Consideration on the Company's Business Performance, Profit per Share and Shareholder Rate of Return-----	76
	4. The unpaid share allotment on the company's operating performance, earnings per share and shareholder return-----	91
	5. Shareholding by All Directors of the Bank -----	92

# Union Bank of Taiwan

## 2019 General Shareholders Meeting Agenda

Time of Meeting: 9 a.m., 31 May 2019 (Friday)

Place of Meeting: No.16, Sec.4, Jhongshan N. Rd, Taipei City

CHIENTAN OVERSEAS YOUTH ACTIVITY CENTER

CHUN-YING Hall (Second floor at Ching-Kuo Memorial Hall)

1. Announcement to Commence
2. Chairman Takes Stand
3. Chairman's Words
4. Reports
  - (1) 2018 Business Report
  - (2) 2018 Audit Committee Audit Report
  - (3) 2018 Report on Employee and Director Remuneration Distribution Status
5. Approvals
  - (1) Approval of 2018 Business Report and Financial Statements
  - (2) Approval of 2018 Profit Distribution Proposal
6. Discussions
  - (1) Proposal for amendment to certain clauses in the "Articles of Association" formulated by the Bank;
  - (2) Proposal for amendment to certain clauses in the "Handling Procedures for Acquisition or Disposal of Assets" formulated by the Bank;
  - (3) Discuss the company's surplus to allocate capital to issue new share
7. Motions
8. Adjournment

## 1. Reports

### Proposal No. 1

Subject: The 2018 Business Report is submitted for review.

Illustration: Please refer to Attachment 1 Business Report (pages 6 to 10 of this manual).

### Proposal No. 2

Subject: The 2018 Audit Committee Audit Report is submitted for review.

Illustration: Please refer to Attachment 2 Audit Committee Audit Report (page 11 of this manual).

### Proposal No. 3

Subject: The 2018 Report on Employee and Director Remuneration Distribution Status is submitted for review.

Illustration:

- (1) The Bank's 2018 net profit before tax before deduction of distribution of employee and director remuneration is NT\$3,504,665,235. In accordance with the Article of Association of the Bank, it is proposed that NT\$64,485,840 be provided as employee remuneration and NT\$3,154,199 be provided as director remuneration.
- (2) Among them, employees pay NT\$64,485,840 for stocks. According to the Financial Supervisory Committee's Order of January 30, 2016 (Golden Management Certificate No. 1050001900), The number of shares to be issued is calculated based on the closing price of the previous day of the board resolution (March 12, 2019, the closing price of the Bank's common shares is NT\$10.5), A total of 6,141,508 new shares were issued, with a denomination of NT\$10 each, and less than one share of NT\$6, paid in cash. Directors' remuneration is paid in cash. The above amounts are consistent with the annual provision.

## **2. Approvals**

Proposal No. 1

Subject: The 2018 business report and financial statements are submitted for approval. (Proposed by Board of Directors)

Illustration:

1. The 2018 financial statements of the Bank (including consolidated financial statements) have been audited by accountants Cheng Hsu-Jan and Yang Cheng-Hsiu of Deloitte & Touche and have, together with the business report, been approved by the audit committee and the 10<sup>th</sup> meeting of the 6<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 1 (pages 6 to 10 of this manual) and Attachment 3 (pages 12 to 36 of this manual).

Resolution:

Proposal No. 2

Subject: The 2018 Profit Distribution Proposal is submitted for approval. (Proposal by Board of Directors)

Illustration:

1. 2018 distributable profit of NT\$3,717,431,788. It is proposed that the distribution be made as shown in Attachment 4 (page 37 of this manual) in accordance with the articles of association of the Bank.
  - (1) Special dividends (NT\$2.4 per share, calculated at a rate of 4.8% per share) total NT\$480,000,000.
  - (2) Ordinary share cash dividend (NT\$0.7 per share) totaling NT\$1,883,009,018.
  - (3) Undistributed profit: NT\$1,354,422,770.
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 2018 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:

### **3. Discussions**

#### **Proposal No. 1**

**Subject:** The proposed amendment to certain clauses of the Articles of Association of the Bank is submitted for approval. (Proposed by Board of Directors)

#### **Illustration:**

1. This amendment is based on August 1, 2018. Presidential Decree Announced by the Executive Yuan Amendment Articles Revision:

(1) Amend one of Article 5 of the Articles of Association, and add one of the third and thirty-ninth Articles of Article 39, Cooperate with the company law to add section 228-1 and amend section 240, Adding to the end of each half of the Bank's fiscal year, handling surplus distribution or loss allocation, and issuing cash, may be subject to special resolutions of the Board of Directors and report to the shareholders' meeting.

Earnings distribution or loss-sharing helps to increase shareholders' willingness to invest, make corporate governance more flexible, and streamline the process of paying dividends and dividends in cash.

(2) Amend Article 25 of the Articles of Association to comply with Article 206 of the Company Law, and the directors shall , When you have your own interests, you should explain the important content of your own interests on the board of directors. Adding a spouse, a second parent, or other internal blood relatives of the directors, or a company with controlling affiliation with the directors, and matters of interest to the board meeting, the directors have their own interests in the matter.

2. Please refer to Attachment 5 herein (pages 38 to 41 of this Manual) for table of comparison before and after the revision of the Articles of Association.

#### **Resolution:**

#### **Proposal No. 2**

**Subject:** The proposed amendment to certain clauses of the "Handling Procedures for Acquisition or Disposal of Assets" of the Bank is submitted for approval (Proposed by the Board of Directors)

**Illustration:** The certain clauses of the "Handling Procedures for Acquisition or Disposal of Assets" of the Bank shall be amended by virtue of JGZFF No. 1070341072 issued by the Financial Supervisory Commission on November 26, 2018. Please refer to Attachment 6 herein (pages 42 to 60 of this Manual) for table of comparison before and after the revision of the Handling Procedures for Acquisition or Disposal of Assets.

#### **Resolution:**

#### **Proposal No. 3**

**Subject:** Discuss the company's surplus to allocate capital to issue new share. (Proposed by the Board of Directors)

Illustration:

1. In order to enrich the working capital of the Bank, NT\$1,883,009,018 was allocated from the distributable surplus in 2018, and the surplus was transferred to NT\$1,883,009,010 to issue 188,300,901 shares of common stock. The remaining NT\$ 8 was disbursed by 1 share and was distributed in cash.
2. After the approval of the shareholders' meeting, the board of directors is authorized to set the base date for the capital increase and share allotment. The stock dividends distributed by the shareholders shall be distributed free of charge according to the proportion of the shares held by the ordinary shareholders listed in the register of ordinary shareholders of the Japanese stocks on the basis of allotment, and 70 shares shall be distributed for each thousand shares.
3. The new shares issued are ordinary shares, and the rights and obligations are the same as ordinary shares, with a denomination of NT\$10 per share.
4. In the event of a change in the shares of the Bank, or the transfer, conversion or cancellation of the treasury shares or other circumstances, affecting the total number of shares outstanding, the share allotment, and the dividend rate, the shareholders' meeting authorizes the board of directors to handle the change.
5. In the case of the above-mentioned capital increase and issuance of new shares, the shareholders' meeting authorizes the board of directors to deal with changes in the law or when the competent authority approves the amendment.

Resolution:

## **4、 Motions**

## **5、 Adjournment**

# Attachment 1

## 2018 Business Report

### 1. Domestic and Overseas Financial Status

In the 2018 years, the global economy continued to recover and the US dollar interest rate hikes led to the widening of interest spreads. China's new southward policy and increased investment by Taiwanese businessmen in the United States have driven the growth momentum of Southeast Asia and the United States. As the United States gradually adjusted its trade policy and continued tightening Monetary policy, the impact level spread from corporate confidence to the real economy, the global financial market violently fluctuated, coupled with the sharp fall in oil prices, the demand for manufacturers turned conservative, and the import and export performance of China, Japan and South Korea showed a sharp decline, indicating that the global economic growth momentum will Slowed down.

In 2019, thanks to the policy of continuously opening up the financial technology business of the banking industry, encouraging the financing of key new ventures, and expanding the overseas market, it is conducive to the development of new markets and new customers, and the banking industry constantly adjusts lending and business. The proportion of the structure to improve profit margins, both expand the competitiveness of domestic and foreign business and overseas layout, but need to guard against the economic fluctuations caused by the US trade war and the risk of exposure.

### 2. 2018 Operating Results and Main Business Status

With the joint effort by all employees of the Bank in 2018, good performance has been demonstrated in terms of various operational benchmarks. In terms of profitability, the 2018 net profit after tax is NT\$2.957 Billion. The earnings per share after tax (EPS) is NT\$1.07. Total asset rate of return (ROA) is 0.49%. Net value rate of return (ROE) is 7.33%. In terms of asset quality, the overdue lending ratio is 0.12%. Bad debt coverage ratio is 959.79%. 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 18 January 2019, 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.

Below is a summary report on the operational status of the Bank's main businesses in 2018:

#### (1) Deposit

The balance of deposits in 2018 was NT\$519.7 billion, an increase of NT\$69.1 billion from 2017, with a growth rate of 15.34%. In terms of deposits, the balance of demand deposits was NT\$225.1 billion, accounting for 43.31% of the total deposit ratio, and the balance of periodic deposits was 294.6 billion, accounting for 56.69% of the total deposit ratio.

#### (2) Lending

At the end of 2018, the balance of foreign currency denominations was NT\$330.5 billion, an increase of NT\$7.2 billion from the end of 2017, with a growth rate of 2.23%. The guarantee lending was NT\$270 billion, accounting for 81.69% of the total loan, and unsecured lending was NT\$60.5 billion, accounting for 18.31% of the total loan.

#### (3) Credit Card

1. Launched the "even-day feedback of even-numbered days" campaign to drive



cardholders to concentrate on federal card consumption, and continue to maintain the basic charge amount of "refueling, mass merchandisers, 3C physical channels, department store channels", and strengthen the "online shopping, overseas" in line with market consumption trends Consumption, insurance staging, catering and new-style access (such as Uber, etc.) transactions to increase the amount of spending on spending, total credit card spending in 2018 was 89.5 billion yuan, up 4.3% from 2017.

2. Continued effective card mobilization, enhanced cooperation with traffic tickets and the introduction of new-type payment instruments, such as mobile payments, to develop new customer bases and increase effective card rates. The number of cards in circulation as of December 2018 was approximately 2,126,989 cards.
3. Launched mobile payments such as Apple Pay, Samsung Pay, Google Pay, Hami Pay and Fitbit Pay. Currently, it is one of the three banks that support all mobile payments in the market. As of December 2018, the number of Token circulation has exceeded 190,000. The amount of the account is about NT\$1.7 billion.

(4) Fortune Management

The Bank's 2018 wealth management households grew by 4.62% compared with 2017, and the average monthly balance of total management assets grew by 8.65% compared with 2017. Operating income increased by 5.98% compared with the same period of last year. The Bank provides more financial products, augments specific money trusts and insurance content, and increases overall financial management revenue.

(5) Operating Performance

The net interest income for 2018 is NT\$6.792 billion, the net income other than interest is NT\$3.78 billion, and the net income is NT\$10.572 billion. After deducting NT\$292 million for net debt and NT\$6.843 billion for operating expenses, the net profit before tax is NT\$3.437 billion, net profit after tax is NT\$2.957 billion.

(6) Corporate Image

In 2018, we launched the "Impression and Hope" image advertisement, caring for all walks of life, friends, encouraging people to hope, and making progress! In addition, the Bank attaches great importance to corporate social responsibility and invests in social welfare activities, mainly including donation of the Magpie Orchestra performance and work training, donation of the Eden Social Welfare Foundation to issue charity cards and vulnerable children's early treatment services, and fundraising children's choirs. Funding overseas, sponsoring training funds for the Middle East High School basketball team, assisting children with insufficient economic and educational resources to learn and develop their strengths; sponsoring the Kaohsiung Spring Art Festival and the Chiayi Taiwan Lantern Festival, the topic of the event attracts a large number of tourists and continues to enhance brand exposure. the amount; Recruit Taiwan's conservation animals, ring neck and stone tiger, hold children's drawing competitions and children's wealth management camps, combine physical exercise and financial knowledge, and strive to cultivate children's art and good financial management concepts; continue to cooperate to launch "Taiwan's story - Taiwan's monuments Tour Special II TV program to promote Taiwan's heritage culture; care for the reconstruction of Hualien earthquake residents after the disaster; sponsored the track and field athlete Yang Junyi Guoguang gold medal bonus difference, support to encourage more outstanding domestic sports players, continue to shine in various sports events The country is glory.

### 3. 2019 Operational Plan and Development Guidelines by Business

(1) Actively expand the scale of business based on the competitive innovative services; in terms of business purposes, adhere to the spirit of service by persistence; establish a long-term relationship with the customers; and create a win-win value:

1. Deposits:

In line with the trend of electronic payment, strengthen the VISA financial card and account functions (starting the "Australia card A/C LINK", "Apple Pay Debit Card" and other services) to provide depositors with a full range of payment tools; strengthen ATM functions (Providing "ATM Interbank Deposit" and "One Card Ticket Storage Function") to provide diversified services for customers; to cooperate with the MIT industry and strive for the flow of funds in the Bank to increase the deposits of corporate and industrial enterprises to improve the growth of demand deposits ; Hold fixed storage, foreign exchange deposit rate plus code project to increase the market share of regular deposits.

2. Enterprise and foreign exchange business:

(1). Actively expand loans for industrial and commercial enterprises: prioritize loans for self-compensation and target production, and increase credit protection through the Sino Credit Fund and the acquisition of quality collateral; continue to strengthen the expansion of MIT enterprises and strengthen visits Credit applicants, through the introduction of their upstream and downstream manufacturers, increase business opportunities, and often visit the customer or the industrial zone management office of the neighboring industrial zone and factory (business) to obtain credit.

(2). Strengthening the commitment to quality stock loans.

(3). Continuously monitor various credit risk limits and concentration risks, such as industrial concentration, real estate collateral concentration, enterprise group risk, and relationship credit control.

(4). Develop foreign exchange business sources, expand import and export and exchange business to enhance foreign exchange niche and market share.

3. Consumer Finance:

Use DM, e-DM, newsletter, etc. to issue relevant information, or use telemarketing to strengthen new home loans and old households to increase loans; quality customers, grasp customer demand trends, and consolidate customers; provide customized projects to open up new customers Actively recruit new or self-trained car AO personnel, and expand the car loan center in Taoyuan, Taichung, Kaohsiung and other metropolitan areas as appropriate to increase business.

4. Credit Card:

Multi-channel promotion, such as joint name card, China Travel Cartoon Road, employee promotion and increase online bidding, increase market share; strengthen top-level card function to attract high-spending customer groups; increase electronic bills, reduce physical billing costs; Channels (such as mass merchandisers, supermarkets, Netcom, etc.) or consumer categories (tourism, insurance, etc.) to promote the activities, increase customers; action payment and promotion of special store payment methods, enhance the competitiveness of the acquiring business.

5. Wealth management, insurance agency and trust business:

online ETF trading, upgrading foreign bonds and ETF business;

promoting private equity funds, increasing fee income, and expanding customer wealth management products to provide customer asset allocation to achieve the desired benefits of customers Introduce derivative products to meet high-asset customers; expand insurance, such as overseas student insurance, major injury and life insurance, one-year accident insurance, and increase fee income.

6. Digital financial business: Continuously update e-banking and digital financial system function services to enhance service competitiveness; provide new version of corporate online banking services; use digital banks to increase the benefits of virtual and real integration services, and strengthen non-traditional financial services locations such as Lylefu Super-business, LINE Pay card marketing cooperation and online and offline gold flow service chain; use social communication software LINE to continuously provide information such as personalized service binding information notification, marketing promotion, etc.; improve EDM system service functions and delivery benefits; The Bank's customer service system evaluates the introduction of intelligent customer service core services; plans to introduce biometric-related applications, such as face biometrics and related financial services applications and integration.

7. Securities Business:

Deepen the development and operation of the legal person base of the securities company, aiming at increasing the performance; strengthening the promotion of electronic order business and increasing the proportion of electronic transactions.

8. Others:

In the investment business, actively cultivate financial trading talents, carefully select investment targets, implement disciplinary requirements for risk management related to capital operations, and focus on the Bank's surplus; improve the profitability of various assets, strengthen risk management, and maintain good performance. Asset quality; plan to guarantee the credit grant case with US dollar deposit as guarantee, to effectively maintain the self-protection operation volume, and increase the Bank's US dollar deposit; review the appropriateness of the bond position at any time to maintain better flexibility in fund scheduling.

## (2)Channel Development

1. 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.
2. 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 2018, the Bank has set up a total of 858 in-bank and off-bank ATMs.

## (3)The Bank's 2019 Estimated Operational Targets

- 1.

Type of Business	2019 Target
Deposit (including foreign currencies)	Average balance of NT\$5,411 Billion at the end of the year
Lending (excluding credit	Average balance of NT\$3,615 Billion at

card)	the end of the year
Foreign Exchange	Annual transaction of US\$70.05 Billion

2. Improvement of operating performance related benchmarks:

Including the over-capital ratio below the industry average and maintaining the capital level in accordance with the BASL3 regulations to meet the 2019 capital ratio standards, and maintaining a stable source of funds and high-quality liquid assets to meet the net stable capital ratio (NSFR) and liquidity Coverage ratio (LCR) standard.

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: Lin, Jeff    Accounting Head: Yang Ju Chang

# **Union Bank of Taiwan Audit Committee Audit Report**

The Audit Committee has reviewed the 2018 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 Yang Cheng Hsiu 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 2019 General Shareholder Meeting

Union Bank of Taiwan

Chairman of Audit Committee:

Li Guo Chang

**13 March 2019**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Union Bank of Taiwan

### Opinion

We have audited the accompanying financial statements of Union Bank of Taiwan (the Bank), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Bank's financial statements for the year ended December 31, 2018 are described as follows:

#### Accuracy of Interest Revenue from Discounts and Loans

For the year ended December 31, 2018, the amount of interest revenue from discounts and loans was \$7,022,177 thousand which, represented approximately 66% of total net revenue, and was considered material to the financial statements as a whole. Refer to Note 33 to the financial statements. Therefore, we considered the accuracy of the recognition of interest revenue as a key audit matter for the year ended December 31, 2018.

The main audit procedures we performed in response to certain aspects of the key audit matter described above were as follows:

1. Understanding of the design of the Bank's computerized information system and General IT Controls, and testing of the operating effectiveness of the controls over the relevant application system and the information generated.

2. Understanding of the design of the application system for recognition of interest revenue from commercial loans and discounts. Testing of operating effectiveness of relevant automated controls in the application system.
3. Select material loans to verify if the balance generated from the information system is the same with the carry amount.
4. Testing and assessment of the accuracy of interest revenue generated by information system. Verify if there is any difference between the interest revenue of the aforementioned loans derived from the information system and those recorded in the ledgers.

#### Assessment of the Impairment of Discounts and Loans

As of December 31, 2018, the net amount of discounts and loans of the Bank was \$326,837,853 thousand which, represented approximately 51% of total assets, and was considered material to the financial statements as a whole. Refer to Note 14 to the financial statements. The Bank's management performs loan impairment assessment involving critical judgements on accounting estimates and assumptions; therefore, we determined allowance for possible losses on discounts and loans as a key audit matter for the year ended December 31, 2018.

The Bank's management periodically performs loan impairment assessment through making judgements to measure the loss allowance at an amount equal to 12-month expected credit losses or the lifetime expected credit losses. Also, the allowance provision should comply with classification of credit assets and relevant regulations for the provision issued by the authorities.

For the accounting policies and relevant information on loan impairment assessment, refer to Notes 4, 5 and 14 to the financial statements.

The main audit procedures we performed in response to certain aspects of the key audit matter described above were as follows:

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Bank's loan impairment assessment.
2. Obtain an understanding of the assumptions and critical factors of the impairment assessment model, including the Probability of Default and the Loss Given Default, and testing whether those estimates reasonably reflected the actual status of each loan.
3. Perform test on reasonableness of calculation of expected credit losses for selected loans.
4. Test the classification of credit assets by length of overdue period for the respective loans and its collateral in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shiuh-Ran Cheng and Chen-Hsiu Yang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2019

#### 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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 12,677,719	2	\$ 10,756,051	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS	29,262,634	5	19,180,985	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	36,355,695	6	11,852,723	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	33,118,474	5	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST	94,149,872	15	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	68,467,365	11	28,215,334	5
RECEIVABLES, NET	17,870,713	3	17,627,438	3
CURRENT TAX ASSETS	73,563	-	46,909	-
DISCOUNTS AND LOANS, NET	326,837,853	51	318,624,348	57
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	-	-	35,183,406	6
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	51,285,957	9
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	4,725,795	1	2,981,366	1
OTHER FINANCIAL ASSETS, NET	2,204,959	-	48,100,741	9
PROPERTY AND EQUIPMENT, NET	7,982,503	1	8,061,615	2
INTANGIBLE ASSETS				
Goodwill	1,985,307	-	1,985,307	-
Computer software	169,280	-	177,528	-
Total intangible assets	2,154,587	-	2,162,835	-
DEFERRED TAX ASSETS	634,777	-	1,019,583	-
OTHER ASSETS, NET	2,490,419	-	2,102,313	-
<b>TOTAL</b>	<b>\$ 639,006,928</b>	<b>100</b>	<b>\$ 557,201,604</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
DUE TO THE CENTRAL BANK AND OTHER BANKS	\$ 11,389,841	2	\$ 8,961,290	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	307,799	-	183,611	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	44,334,388	7	30,273,976	5
ACCOUNTS PAYABLE	6,912,587	1	7,005,686	1
CURRENT TAX LIABILITIES	24,379	-	70,008	-
DEPOSITS	514,386,800	80	449,412,119	81
BANK DEBENTURES	9,700,000	2	11,700,000	2
OTHER FINANCIAL LIABILITIES	11,825	-	21,720	-
PROVISIONS	252,949	-	171,759	-
DEFERRED TAX LIABILITIES	1,228,719	-	911,524	-
OTHER LIABILITIES	644,612	-	571,236	-
Total liabilities	589,193,899	92	509,282,929	91
<b>EQUITY</b>				
Share capital				
Ordinary shares	26,900,129	4	26,051,524	5
Preference shares	2,000,000	1	2,000,000	-
Total share capital	28,900,129	5	28,051,524	5
Capital surplus	8,032,413	1	8,032,413	2
Retained earnings				
Legal reserve	5,988,776	1	5,165,280	1
Special reserve	612,656	-	585,206	-
Unappropriated earnings	4,619,232	1	4,503,995	1
Total retained earnings	11,220,664	2	10,254,481	2
Other equity	1,659,823	-	1,580,257	-
Total equity	49,813,029	8	47,918,675	9
<b>TOTAL</b>	<b>\$ 639,006,928</b>	<b>100</b>	<b>\$ 557,201,604</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 26, 2019)

# UNION BANK OF TAIWAN

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	
NET INTEREST					
Interest revenues	\$ 11,016,864	104	\$ 10,298,904	100	7
Interest expenses	<u>4,225,103</u>	<u>40</u>	<u>3,613,710</u>	<u>35</u>	17
Net interest	<u>6,791,761</u>	<u>64</u>	<u>6,685,194</u>	<u>65</u>	2
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net	2,444,065	23	2,323,616	22	5
Gain on financial assets and liabilities at fair value through profit or loss	257,274	3	294,376	3	(13)
Realized gain on available-for-sale financial assets, net	-	-	781,919	8	(100)
Realized gain on financial assets at fair value through other comprehensive income	436,244	4	-	-	-
Share of profit of subsidiaries and associates	96,603	1	193,703	2	(50)
Foreign exchange gain (loss), net	450,995	4	(138,588)	(1)	425
Loss from asset impairment, net	(33,589)	-	-	-	-
Securities brokerage fee revenues, net	103,379	1	75,549	1	37
Gain on financial assets measured at cost, net	-	-	55,482	-	(100)
Property loss, net	(2,257)	-	(4,496)	-	(50)
Other noninterest net gain	<u>27,237</u>	<u>-</u>	<u>20,972</u>	<u>-</u>	30
TOTAL NET REVENUES	<u>10,571,712</u>	<u>100</u>	<u>10,287,727</u>	<u>100</u>	3
PROVISIONS					
Provision of allowance for doubtful accounts and provision for losses on commitments and guarantees	<u>291,985</u>	<u>3</u>	<u>356,861</u>	<u>4</u>	(18)

(Continued)

# UNION BANK OF TAIWAN

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
<b>OPERATING EXPENSES</b>					
Personnel expenses	3,303,509	31	3,130,909	30	6
Depreciation and amortization (Notes 4 and 40)	354,939	3	326,509	3	9
Others	<u>3,184,254</u>	<u>30</u>	<u>3,160,198</u>	<u>31</u>	1
Total operating expenses	<u>6,842,702</u>	<u>64</u>	<u>6,617,616</u>	<u>64</u>	3
INCOME BEFORE INCOME TAX	3,437,025	33	3,313,250	32	4
INCOME TAX EXPENSE	<u>480,301</u>	<u>5</u>	<u>568,263</u>	<u>5</u>	(15)
NET INCOME	<u>2,956,724</u>	<u>28</u>	<u>2,744,987</u>	<u>27</u>	8
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(13,151)	-	9,802	-	(234)
Unrealized gain on investments in equity instrument at fair value through other comprehensive income	417,367	4	-	-	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(5,211)	-	429	-	(1,315)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(197,434)</u>	<u>(2)</u>	<u>(1,666)</u>	<u>-</u>	11,751
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>201,571</u>	<u>2</u>	<u>8,565</u>	<u>-</u>	2,253
Items that may be reclassified subsequently to profit or loss:					

(Continued)

# UNION BANK OF TAIWAN

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Exchange differences on translating foreign operations	303,314	3	(814,626)	(8)	137
Unrealized gain on available-for-sale financial assets	-	-	1,228,170	12	(100)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	85,530	1	(76,598)	(1)	212
Unrealized loss on investment in debt instruments at fair value through other comprehensive income	(1,006,753)	(10)	-	-	-
Reversal of impairment loss on investments in debt instruments at fair value through other comprehensive income	40,778	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(36,924)</u>	<u>-</u>	<u>51,180</u>	<u>1</u>	(172)
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(614,055)</u>	<u>(6)</u>	<u>388,126</u>	<u>4</u>	(258)
Other comprehensive income (loss) for the year, net of income tax	<u>(412,484)</u>	<u>(4)</u>	<u>396,691</u>	<u>4</u>	(204)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>\$ 2,544,240</u></b>	<b><u>24</u></b>	<b><u>\$ 3,141,678</u></b>	<b><u>31</u></b>	<b>(19)</b>
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS)</b>					
Basic	<u>\$1.07</u>		<u>\$1.02</u>		
Diluted	<u>\$1.06</u>		<u>\$1.02</u>		

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche auditors' report dated March 26, 2019)

(Concluded)

**UNION BANK OF TAIWAN**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)**

	Share Capital			Capital Surplus	Retained Earnings				Other Equity			Total	Total Equity
	Ordinary Shares	Preference Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2017	\$ 26,051,524	\$ -	\$ 26,051,524	\$ 32,413	\$ 4,374,367	\$ 558,842	\$ 3,740,039	\$ 8,673,248	\$ 1,272,308	\$ (80,177)	\$ -	\$ 1,192,131	\$ 35,949,316
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	-	790,913	-	(790,913)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	26,364	(26,364)	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(1,172,319)	(1,172,319)	-	-	-	-	(1,172,319)
Net income for the year ended December 31, 2017	-	-	-	-	-	-	2,744,987	2,744,987	-	-	-	-	2,744,987
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	8,565	8,565	1,073,393	(685,267)	-	388,126	396,691
Issuance of preference shares	-	2,000,000	2,000,000	8,000,000	-	-	-	-	-	-	-	-	10,000,000
BALANCE AT DECEMBER 31, 2017	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,503,995	10,254,481	2,345,701	(765,444)	-	1,580,257	47,918,675
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	(31,391)	(31,391)	(2,345,701)	-	2,797,843	452,142	420,751
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,472,604	10,223,090	-	(765,444)	2,797,843	2,032,399	48,339,426
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	-	823,496	-	(823,496)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	27,450	(27,450)	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	-	(1,042,061)
Stock dividends on common shares	781,546	-	781,546	-	-	-	(781,546)	(781,546)	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(90,740)	(90,740)	-	-	-	-	(90,740)
Net income for the year ended December 31, 2018	-	-	-	-	-	-	2,956,724	2,956,724	-	-	-	-	2,956,724
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	(4,302)	(4,302)	-	351,920	(760,102)	(408,182)	(412,484)
Share-based payment	67,059	-	67,059	-	-	-	(4,895)	(4,895)	-	-	-	-	62,164
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(35,606)	(35,606)	-	-	35,606	35,606	-
BALANCE AT DECEMBER 31, 2018	<u>\$ 26,900,129</u>	<u>\$ 2,000,000</u>	<u>\$ 28,900,129</u>	<u>\$ 8,032,413</u>	<u>\$ 5,988,776</u>	<u>\$ 612,656</u>	<u>\$ 4,619,232</u>	<u>\$ 11,220,664</u>	<u>\$ -</u>	<u>\$ (413,524)</u>	<u>\$ 2,073,347</u>	<u>\$ 1,659,823</u>	<u>\$ 49,813,029</u>

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, 2018 AND 2017**  
**(In Thousands of New Taiwan Dollars)**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,437,025	\$ 3,313,250
Adjustments for:		
Depreciation expenses	288,758	265,915
Amortization expenses	66,181	60,594
Expected credit losses/Provision of allowance for doubtful accounts	291,985	356,861
Net gain on disposal of financial assets at fair value through profit or loss	(257,274)	(294,376)
Interest expenses	4,225,103	3,613,710
Interest revenues	(11,016,864)	(10,298,904)
Dividend income	(435,866)	(225,302)
Share of profit of associates	(96,603)	(193,703)
Loss on disposal of properties and equipment	2,258	4,496
Gain on disposal of investments	-	(612,099)
Impairment loss recognized on financial assets	39,935	-
Reversal of impairment losses on financial asset	(6,346)	-
Loss on disposal of collaterals	2,658	-
Changes in operating assets and liabilities		
Due from the Central Bank and call loans banks	(4,081,105)	(3,641,413)
Financial assets at fair value through profit or loss	(23,169,161)	(1,848,607)
Financial assets at fair value through other comprehensive income	2,701,189	-
Investments in debt instruments at amortized cost	2,634,924	-
Accounts receivable	(342,585)	(219,901)
Discounts and loans	(8,451,780)	(34,727,226)
Available-for-sale financial assets	-	6,205,466
Held-to-maturity financial assets	-	(44,498,510)
Other financial assets	(322,286)	9,079,422
Due to the Central Bank and other banks	2,428,551	1,943,661
Financial liabilities at fair value through profit or loss	(845,089)	(277,453)
Securities sold under repurchase agreements	14,060,412	1,399,839
Accounts payable	(136,334)	55,090
Deposits	64,974,681	17,349,295
Other financial liabilities	(9,895)	2,154
Provisions for employee benefits	(25)	(246)
Other liabilities	(499)	899
Cash generated from (used) in operations	45,981,948	(53,187,088)
Interest received	10,957,721	10,304,523
Dividend received	450,598	267,762
Interest paid	(4,119,704)	(3,552,364)
Income tax returned (paid)	(86,202)	7,417
Net cash generated from (used in) operating activities	<u>53,184,361</u>	<u>(46,159,750)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of associates	(1,579,977)	-

(Continued)

# UNION BANK OF TAIWAN

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Payments for properties and equipment	(223,854)	(191,869)
Proceeds of the disposal of properties and equipment	1,092	22
Increase in settlement fund	(1,957)	-
Decrease in settlement fund	-	161,568
Increase in refundable deposits	(379,678)	(96,519)
Payments for intangible assets	(47,075)	(62,718)
Proceeds of the disposal of collaterals	3,688	-
Increase in other assets	(6,471)	-
Decrease in other assets	<u>-</u>	<u>63,412</u>
Net cash used in investing activities	<u>(2,234,232)</u>	<u>(126,104)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of the issue of bank debentures	-	500,000
Repayments of bank debentures	(2,000,000)	-
Increase in guarantee deposits received	3,302	-
Decrease in guarantee deposits received	-	(2,513)
Increase in other liabilities	52,354	42,773
Cash dividends paid	(1,132,801)	(1,172,319)
Issuance of preference shares	<u>-</u>	<u>10,000,000</u>
Net cash generated from (used in) financing activities	<u>(3,077,145)</u>	<u>9,367,941</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>301,259</u>	<u>(805,523)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,174,243	(37,723,436)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>39,296,496</u>	<u>77,019,932</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 87,470,739</u>	<u>\$ 39,296,496</u>

(Continued)



# UNION BANK OF TAIWAN

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

---

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2018 and 2017:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents in balance sheets	\$ 12,677,719	\$ 10,756,051
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”	6,325,655	325,111
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>68,467,365</u>	<u>28,215,334</u>
Cash and cash equivalents in statements of cash flows	<u>\$ 87,470,739</u>	<u>\$ 39,296,496</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2019)

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Union Bank of Taiwan

### **Opinion**

We have audited the accompanying consolidated financial statements of Union Bank of Taiwan (the Bank) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's consolidated financial statements for the year ended December 31, 2018 are described as follows:

#### Accuracy of Interest Revenue from of Discounts and Loans

For the year ended December 31, 2018, the amount of interest revenue from discounts and loans was \$6,987,828 thousand which, represented approximately 55% of total net revenue, and was considered material to the financial statements as a whole. Refer to Note 36 to the consolidated financial statements. Therefore, we considered the accuracy of the recognition of interest revenue as a key audit matter for the year ended December 31, 2018.

The main audit procedures we performed in response to certain aspects of the key audit matter described above were as follows:

1. Understanding of the design of the Company's computerized information system and General

IT Controls, and testing of the operating effectiveness of the controls over the relevant application system and the information generated.

2. Understanding of the design of the application system for recognition of interest revenue from commercial loans and discounts. Testing of operating effectiveness of relevant automated controls in the application system.
3. Select material loans to verify if the balance generated from the information system is the same with the carry amount.
4. Testing and assessment of the accuracy of interest revenue generated by information system. Verify if there is any difference between the interest revenue of the aforementioned loans derived from the information system and those recorded in the ledgers.

#### Assessment of the Impairment of Discounts and Loans

As of December 31, 2018, the net amount of discounts and loans of the Company was \$325,015,686 thousand which, represented approximately 50% of total consolidated assets, and was considered material to the financial statements as a whole. Refer to Note 14 to the consolidated financial statements. The Company's management performs loan impairment assessment involving critical judgements on accounting estimates and assumptions; therefore, we determined allowance for possible losses on discounts and loans a key audit matter for the year ended December 31, 2018.

The Company's management periodically performs loan impairment assessment through making judgements to measure the loss allowance at an amount equal to 12-month expected credit losses or the lifetime expected credit losses. Also, the allowance provision should comply with classification of credit assets and relevant regulations for the provision issued by the authorities.

For the accounting policies and relevant information on loan impairment assessment, refer to Notes 4, 5 and 14 to the financial statements.

The main audit procedures we performed in response to certain aspects of the key audit matter described above were as follows:

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Bank's loan impairment assessment.
2. Obtain an understanding of the assumptions and critical factors of the impairment assessment model, including the Probability of Default and the Loss Given Default, and testing whether those estimates reasonably reflected the actual status of each loan.
3. Perform test on reasonableness of calculation of expected credit losses for selected loans.
4. Test the classification of credit assets by length of overdue period for the respective loans and its collateral in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

#### **Other Matter**

We have also audited the separate financial statements of Union Bank of Taiwan as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going

concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shiu-Ran Cheng and Chen-Hsiu Yang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2019

#### 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 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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 14,014,731	2	\$ 12,136,172	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	29,262,634	5	19,180,985	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	36,709,925	6	12,136,325	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	33,393,507	5	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST	94,149,872	15	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	68,480,765	11	28,234,334	5
RECEIVABLES, NET	18,131,482	3	17,751,420	3
CURRENT TAX ASSETS	81,020	-	52,134	-
DISCOUNTS AND LOANS, NET	325,015,686	50	316,728,989	56
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	-	-	35,489,633	6
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	51,285,957	9
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	1,623,462	-	53,121	-
OTHER FINANCIAL ASSETS, NET	2,301,648	-	48,267,839	9
PROPERTY AND EQUIPMENT, NET	8,007,495	1	8,081,729	2
INVESTMENT PROPERTIES, NET	5,398,908	1	5,284,434	1
INTANGIBLE ASSETS				
Goodwill	1,985,307	-	1,985,307	-
Computer software	177,654	-	184,137	-
Total intangible assets	<u>2,162,961</u>	-	<u>2,169,444</u>	-
DEFERRED TAX ASSETS	791,550	-	1,172,974	-
OTHER ASSETS, NET	<u>8,060,448</u>	<u>1</u>	<u>7,590,797</u>	<u>1</u>
<b>TOTAL</b>	<b><u>\$ 647,586,094</u></b>	<b><u>100</u></b>	<b><u>\$ 565,616,287</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
DUE TO THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS	\$ 12,111,895	2	\$ 9,249,185	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	307,799	-	183,384	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	44,334,388	7	30,273,976	5
ACCOUNTS PAYABLE	7,013,422	1	7,108,824	1
CURRENT TAX LIABILITIES	41,221	-	77,173	-
DEPOSITS AND REMITTANCES	513,918,075	79	449,049,470	79
BANK DEBENTURES	9,700,000	2	11,700,000	2
BOND PAYABLE	1,480,976	-	1,409,598	-
OTHER FINANCIAL LIABILITIES	4,089,464	1	4,291,441	1
PROVISIONS	262,482	-	182,262	-
DEFERRED TAX LIABILITIES	1,269,570	-	937,196	-
OTHER LIABILITIES	<u>2,998,047</u>	-	<u>2,967,213</u>	<u>1</u>
Total liabilities	<u>597,527,339</u>	<u>92</u>	<u>517,429,722</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital				
Ordinary shares	26,900,129	4	26,051,524	5
Preference shares	<u>2,000,000</u>	<u>1</u>	<u>2,000,000</u>	-
Total share capital	<u>28,900,129</u>	<u>5</u>	<u>28,051,524</u>	<u>5</u>
Capital surplus	<u>8,032,413</u>	<u>1</u>	<u>8,032,413</u>	<u>2</u>
Retained earnings				
Legal reserve	5,988,776	1	5,165,280	1
Special reserve	612,656	-	585,206	-
Unappropriated earnings	<u>4,619,232</u>	<u>1</u>	<u>4,503,995</u>	<u>1</u>
Total retained earnings	<u>11,220,664</u>	<u>2</u>	<u>10,254,481</u>	<u>2</u>
Other equity	<u>1,659,823</u>	-	<u>1,580,257</u>	-
Total equity attributable to owners of the Bank	49,813,029	8	47,918,675	9
NON-CONTROLLING INTERESTS	<u>245,726</u>	-	<u>267,890</u>	-
Total equity	<u>50,058,755</u>	<u>8</u>	<u>48,186,565</u>	<u>9</u>
<b>TOTAL</b>	<b><u>\$ 647,586,094</u></b>	<b><u>100</u></b>	<b><u>\$ 565,616,287</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
<b>NET INTEREST</b>					
Interest revenues	\$ 10,987,708	86	\$ 10,268,804	82	7
Interest expenses	<u>4,285,920</u>	<u>33</u>	<u>3,677,756</u>	<u>29</u>	17
Net interest	6,701,788	53	6,591,048	53	2
<b>NET REVENUES OTHER THAN INTEREST</b>					
Commissions and fee revenues, net	2,422,852	19	2,298,017	18	5
Gain on financial assets and liabilities at fair value through profit or loss, net	223,068	2	356,479	3	(37)
Realized gain from available-for-sale financial assets, net	-	-	830,130	7	(100)
Realized gains on financial assets at fair value through other comprehensive income	443,699	3	-	-	-
Share of loss of associates	(9,636)	-	(326)	-	2,856
Foreign exchange gain (loss), net	464,241	4	(159,723)	(1)	391
Loss from asset impairment, net	(33,589)	-	(799)	-	4,104
Gain on financial assets measured at cost, net	-	-	57,416	-	(100)
Securities brokerage fee revenues, net	208,334	1	203,732	2	2
Rental revenue	2,254,083	18	2,231,092	18	1
Other noninterest net gain	<u>57,481</u>	<u>-</u>	<u>64,299</u>	<u>-</u>	(11)
<b>TOTAL NET REVENUES</b>	<u>12,732,321</u>	<u>100</u>	<u>12,471,365</u>	<u>100</u>	2
<b>PROVISIONS</b>					
Provision of allowance for doubtful accounts and provision for losses on commitments and guarantees	<u>293,579</u>	<u>2</u>	<u>356,861</u>	<u>3</u>	(18)

(Continued)

## UNION BANK OF TAIWAN AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
<b>OPERATING EXPENSES</b>					
Employee benefit expenses	3,531,027	28	3,352,574	27	5
Depreciation and amortization	1,987,560	16	1,937,510	15	3
Others	<u>3,443,571</u>	<u>27</u>	<u>3,437,849</u>	<u>28</u>	-
Total operating expenses	<u>8,962,158</u>	<u>71</u>	<u>8,727,933</u>	<u>70</u>	3
INCOME BEFORE INCOME TAX	3,476,584	27	3,386,571	27	3
INCOME TAX EXPENSE	<u>521,583</u>	<u>4</u>	<u>620,536</u>	<u>5</u>	(16)
CONSOLIDATED NET INCOME	<u>2,955,001</u>	<u>23</u>	<u>2,766,035</u>	<u>22</u>	7
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(13,977)	-	10,474	-	(233)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	412,817	3	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(197,735)	(1)	(1,781)	-	11,002
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	405,845	3	(890,651)	(7)	146

(Continued)



# UNION BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Unrealized gain on available-for-sale financial assets	-	-	1,214,673	10	(100)
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(1,006,753)	(8)	-	-	-
Reversal of impairment loss on investments in debt instruments at fair value through other comprehensive income	40,778	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(53,925)	-	64,104	-	(184)
Other comprehensive income (loss) for the year, net of income tax	(412,950)	(3)	396,819	3	(204)
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 2,542,051</u>	<u>20</u>	<u>\$ 3,162,854</u>	<u>25</u>	(20)
<b>NET INCOME ATTRIBUTABLE TO:</b>					
Owners of the Bank	\$ 2,956,724	23	\$ 2,744,987	22	8
Non-controlling interests	(1,723)	-	21,048	-	(108)
	<u>\$ 2,955,001</u>	<u>23</u>	<u>\$ 2,766,035</u>	<u>22</u>	7
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
Owners of the Bank	\$ 2,544,240	20	\$ 3,141,678	25	(19)
Non-controlling interests	(2,189)	-	21,176	-	(110)
	<u>\$ 2,542,051</u>	<u>20</u>	<u>\$ 3,162,854</u>	<u>25</u>	(20)
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS)</b>					
Basic	<u>\$1.07</u>		<u>\$1.02</u>		
Diluted	<u>\$1.06</u>		<u>\$1.02</u>		

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

# UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)

	Equity Attributable Owners of the Company								Other Equity					Non-controlling Interests	Total Equity
	Share Capital			Share Capital	Retained Earnings				Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total		
	Ordinary Shares	Preference Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2017	\$ 26,051,524	\$ -	\$ 26,051,524	\$ 32,413	\$ 4,374,367	\$ 558,842	\$ 3,740,039	\$ 8,673,248	\$ 1,272,308	\$ (80,177)	\$ -	\$ 1,192,131	\$ 35,949,316	\$ 269,140	\$ 36,218,456
Appropriation of the 2016 earnings															
Legal reserve	-	-	-	-	790,913	-	(790,913)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	26,364	(26,364)	-	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(1,172,319)	(1,172,319)	-	-	-	-	(1,172,319)	-	(1,172,319)
Net income for the year ended December 31, 2017	-	-	-	-	-	-	2,744,987	2,744,987	-	-	-	-	2,744,987	21,048	2,766,035
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	8,565	8,565	1,073,393	(685,267)	-	388,126	396,691	128	396,819
Issuance of preference shares	-	2,000,000	2,000,000	8,000,000	-	-	-	-	-	-	-	-	10,000,000	-	10,000,000
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,426)	(22,426)
BALANCE AT DECEMBER 31, 2017	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,503,995	10,254,481	2,345,701	(765,444)	-	1,580,257	47,918,675	267,890	48,186,565
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	(31,391)	(31,391)	(2,345,701)	-	2,797,843	452,142	420,751	(1,255)	419,496
RETROSPECTIVE RESTATEMENT															
BALANCE AT JANUARY 1, 2018	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,472,604	10,223,090	-	(765,444)	2,797,843	2,032,399	48,339,426	266,635	48,606,061
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	-	823,496	-	(823,496)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	27,450	(27,450)	-	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	-	(1,042,061)	-	(1,042,061)
Stock dividends on common shares	781,546	-	781,546	-	-	-	(781,546)	(781,546)	-	-	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(90,740)	(90,740)	-	-	-	-	(90,740)	-	(90,740)
Net income for the year ended December 31, 2018	-	-	-	-	-	-	2,956,724	2,956,724	-	-	-	-	2,956,724	(1,723)	2,955,001
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	(4,302)	(4,302)	-	351,920	(760,102)	(408,182)	(412,484)	(466)	(412,950)
Share-based payment	67,059	-	67,059	-	-	-	(4,895)	(4,895)	-	-	-	-	62,164	-	62,164
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,720)	(18,720)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(35,606)	(35,606)	-	-	35,606	35,606	-	-	-
BALANCE AT DECEMBER 31, 2018	<u>\$ 26,900,129</u>	<u>\$ 2,000,000</u>	<u>\$ 28,900,129</u>	<u>\$ 8,032,413</u>	<u>\$ 5,988,776</u>	<u>\$ 612,656</u>	<u>\$ 4,619,232</u>	<u>\$ 11,220,664</u>	<u>\$ -</u>	<u>\$ (413,524)</u>	<u>\$ 2,073,347</u>	<u>\$ 1,659,823</u>	<u>\$ 49,813,029</u>	<u>\$ 245,726</u>	<u>\$ 50,058,755</u>

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

# UNION BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,476,584	\$ 3,386,571
Adjustments for:		
Depreciation expenses	1,917,557	1,873,385
Amortization expenses	70,003	64,125
Expected credit losses/Provision of allowance for doubtful accounts	293,579	356,861
Gain on disposal of financial assets at fair value through profit or loss	(223,068)	(356,479)
Interest expenses	4,285,920	3,677,756
Interest revenues	(10,987,708)	(10,268,804)
Dividend income	(443,146)	(241,044)
Share of loss of associates	9,636	326
Gain on disposal of properties and equipment	(18,436)	(17,565)
Gain on disposal of investments	-	(645,405)
Impairment loss recognized on financial assets	39,935	799
Reversal of impairment losses on nonfinancial assets	(6,346)	-
Loss on disposal of collaterals	2,658	-
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(4,081,105)	(3,641,413)
Financial assets at fair value through profit or loss	(23,154,778)	(1,823,629)
Financial assets at fair value through other comprehensive income	2,675,488	-
Investments in debt instruments at amortized cost	2,634,924	-
Accounts receivable	(482,042)	(224,260)
Discounts and loans	(8,524,972)	(34,455,640)
Available-for-sale financial assets	-	6,348,871
Held-to maturity financial assets	-	(44,498,510)
Other financial assets	(348,257)	9,694,362
Due to the Central Bank and other banks	2,862,710	859,873
Financial liabilities at fair value through profit or loss	(844,862)	(278,773)

Securities sold under repurchase agreements	14,060,412	1,399,839
Accounts payable	(138,654)	65,695
Deposits	64,868,605	17,430,555
Other financial liabilities	(9,895)	2,155
Provisions for employee benefits	(1,820)	(2,089)
Other liabilities	<u>(499)</u>	<u>899</u>
Cash generated from (used in) operations	47,932,423	(51,291,539)
Interest received	10,929,641	10,274,544
Dividends received	470,766	245,551
Interest paid	(4,180,504)	(3,615,966)
Income tax paid	<u>(125,545)</u>	<u>(67,642)</u>
Net cash generated from (used in) operating activities	<u>55,026,781</u>	<u>(44,455,052)</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of associates	(1,579,977)	-
---------------------------	-------------	---

(Continued)

# UNION BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
Payments for properties and equipment	(235,783)	(200,903)
Proceeds of the disposal of properties and equipment	1,092	21
Payments for investment properties	(30,571)	(15,077)
Increase in settlement fund	(1,957)	-
Decrease in settlement fund	-	161,568
Increase in refundable deposits	(381,659)	(96,985)
Payments for intangible assets	(52,532)	(66,476)
Proceeds of the disposal of collaterals	3,688	-
Increase in other assets	<u>(1,647,545)</u>	<u>(1,574,695)</u>
Net cash used in investing activities	<u>(3,925,244)</u>	<u>(1,792,547)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper	-	54,148
Decrease in commercial paper	(192,082)	-
Proceeds of the issue of bonds payable	-	317,955
Proceeds of the issue of bank debentures	-	500,000
Repayments of bank debentures	(2,000,000)	-
Increase in guarantee deposits received	-	2,312
Decrease in guarantee deposits received	(49,554)	-
Increase in other liabilities	62,668	64,401
Dividends paid to non-controlling interests	(18,720)	(22,426)
Cash dividends paid	(1,132,801)	(1,172,319)
Issuance of preference shares	<u>-</u>	<u>10,000,000</u>
Net cash generated from (used in) financing activities	<u>(3,330,489)</u>	<u>9,744,071</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE</b>		
<b>BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>354,486</u>	<u>(827,215)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH</b>		
<b>EQUIVALENTS</b>	48,125,534	(37,330,743)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF</b>		
<b>THE YEAR</b>	<u>40,695,617</u>	<u>78,026,360</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE</b>		
<b>YEAR</b>	<u>\$ 88,821,151</u>	<u>\$ 40,695,617</u>

(Continued)

# UNION BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

---

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, 2018 and 2017:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash and cash equivalents in the consolidated balance sheets	\$ 14,014,731	\$ 12,136,172
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”	6,325,655	325,111
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>68,480,765</u>	<u>28,234,334</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 88,821,151</u>	<u>\$ 40,695,617</u>

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

**Attachment 4**

Union Bank of Taiwan

## 2018 Profit Distribution Table

Unit: NT\$

Item	Amount	
Beginning Undistributed Profit		1, 738, 702, 642
Follow the applicable IFRS 9 adjustments		(31, 391, 297)
Adjustment of undistributed surplus at the beginning of the period		1, 707, 311, 345
Current after-tax surplus		2, 956, 724, 354
Determining the benefit plan re-measurement recognized in the retained surplus		(4, 302, 001)
Employee compensation, capital increase, debit, retained earnings		(4, 895, 295)
Gains and losses on equity instruments measured at fair value through other comprehensive gains and losses		(35, 605, 687)
Gains and losses on equity instruments measured at fair value through other comprehensive gains and losses		
Statutory surplus reserve		(887, 017, 306)
Special surplus reserve according to law		(14, 783, 622)
Distributable surplus in this period		3, 717, 431, 788
Signment project		(2, 363, 009, 018)
Special dividends (dividend rate 4.8% )	(480, 000, 000)	
Common stock dividend (0.7 per share)	(1, 883, 009, 018)	
Undistributed surplus at the end of the period		1, 354, 422, 770

## Notes:

1. According to the Ministry of Finance's 1998.04.30 fiscal and taxation No. 871941343, when the surplus is distributed, it should be identified by individual identification. This surplus distribution will give priority to the surplus of 2018.
2. The cash dividends are distributed according to the shareholding ratio of the shareholders and are calculated until the Yuan. The abnormal zero amount of the short-end one is transferred from the Bank to other income.

Chairman: Li Sian Chang    Manager: Lin, Jeff    Accounting Head: Yang Ju Chang

## Attachment 5

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

Clause after Amendment	Clause before Amendment	Remarks
<p><u>Article 5-1:</u> The rights &amp; obligations of Preferred share and other important issuance conditions of the Bank shall be as follows:</p> <ol style="list-style-type: none"> <li>1. If there is a surplus in the Bank's annual statement, in addition to paying income tax in accordance with the law, after making up the annual losses of previous years, setting the statutory surplus reserve and setting or recovering the Preferred surplus reserve in accordance with the provisions of Article 39 of the Articles of Association, the balance shall be hereto given priority to the allocation of dividends on Preferred shares in the current year.</li> <li>2. The upper limit of dividends on Preferred shares shall be up to 8% of the annual rate, which can be calculated according to the issue price per share; In accordance with the Bank's semi-annual fiscal year and annual surplus distribution in cash, the board of directors shall set a benchmark date to pay dividends., the dividends payable over the previous year will be paid at the base date as set out by the board of directors. The dividends of issuance year and recovery year can be calculated according to the actual number of days of issuance in the current year.</li> <li>3. The Bank shall distribute the dividends on Preferred shares at its discretion. If the dividends are distributed due to the absence of surplus or non-surplus in the Bank's annual final accounts, or if the distribution of dividends on Preferred shares will result in the Bank's capital adequacy ratio below the minimum requirements as stipulated in the Decree or by the Competent Authority, or based on any other necessary considerations, the Bank must make resolutions on non-distribution of dividends on Preferred shares; the Preferred shareholders shall not raise objection to such resolutions; the non-distributed or distributed under-dividends shall not be accumulated in deferred payment from the surplus in subsequent years.</li> <li>4. Apart from receiving the dividends as stated in Paragraph 2 of this Item, the</li> </ol>	<p><u>Article 5-1:</u> The rights &amp; obligations of Preferred share and other important issuance conditions of the Bank shall be as follows:</p> <ol style="list-style-type: none"> <li>1. If there is a surplus in the Bank's annual statement, in addition to paying income tax in accordance with the law, after making up the annual losses of previous years, setting the statutory surplus reserve and setting or recovering the Preferred surplus reserve in accordance with the provisions of Article 39 of the Articles of Association, the balance shall be hereto given priority to the allocation of dividends on Preferred shares in the current year.</li> <li>2. The upper limit of dividends on Preferred shares shall be up to 8% of the annual rate, which can be calculated according to the issue price per share; the dividends may be paid in one lump sum in cash each year; after the financial report has been accepted by the board of directors at the annual regular meeting of stockholders, the dividends payable over the previous year will be paid at the base date as set out by the board of directors. The dividends of issuance year and recovery year can be calculated according to the actual number of days of issuance in the current year.</li> <li>3. The Bank shall distribute the dividends on Preferred shares at its discretion. If the dividends are distributed due to the absence of surplus or non-surplus in the Bank's annual final accounts, or if the distribution of dividends on Preferred shares will result in the Bank's capital adequacy ratio below the minimum requirements as stipulated in the Decree or by the Competent Authority, or based on any other necessary considerations, the Bank must make resolutions on non-distribution of dividends on Preferred shares; the Preferred shareholders shall not raise objection to such resolutions; the non-distributed or distributed under-dividends shall not be accumulated in deferred payment from the surplus in subsequent years.</li> <li>4. Apart from receiving the dividends as stated in Paragraph 2 of this Item, the Preferred shareholders shall not participate</li> </ol>	<p>In accordance with Article 240 of the Company Law amendments.</p>



Clause after Amendment	Clause before Amendment	Remarks
<p>Preferred shareholders shall not participate in the distribution of surplus and capital reserve in cash and appropriation of capital on ordinary shares.</p> <p>5. The order of distributing the Bank's residual properties to the Preferred shareholders takes precedence over the ordinary shareholders, and is the same as the order of compensating the shareholders holding the Preferred shares issued by the Bank, whichever is next to the order of compensating the general creditors, but limited to the issue amount.</p> <p>6. The Preferred shareholders have no voting rights and rights of election, but have the right to vote at the Preferred Shareholders meeting or the Shareholders meeting involved in the rights and obligations of Preferred shareholders.</p> <p>7. The Preferred share shall not be converted into the ordinary share. Also, the Preferred shareholders shall not request the Bank to recover the rights of Preferred shares held by such Preferred shareholders.</p> <p>8. The Preferred shares refer to the undated shares which may be recovered by the Bank in whole or in part as per the original actual issuing price at any time from the next day after the expiry of five-year term of issuance. The non-recovered Preferred shares will still have rights and obligations as set out in the issuance conditions of this Article. In the same year in which the Preferred shares are recovered, if a resolution on payment of dividends is made at the Shareholder meeting of the Bank, as of the recovery date, the dividends will be paid, which can be calculated according to the actual number of days issuance in the same year. The board of directors shall be authorized to determine the name, issuing date and specific issuance conditions of Preferred share in respect of the capital market conditions and the subscription willingness of investors in accordance with the provisions of Articles of Association of the Bank and other relevant laws &amp; regulations.</p>	<p>in the distribution of surplus and capital reserve in cash and appropriation of capital on ordinary shares.</p> <p>5. The order of distributing the Bank's residual properties to the Preferred shareholders takes precedence over the ordinary shareholders, and is the same as the order of compensating the shareholders holding the Preferred shares issued by the Bank, whichever is next to the order of compensating the general creditors, but limited to the issue amount.</p> <p>6. The Preferred shareholders have no voting rights and rights of election, but have the right to vote at the Preferred Shareholders meeting or the Shareholders meeting involved in the rights and obligations of Preferred shareholders.</p> <p>7. The Preferred share shall not be converted into the ordinary share. Also, the Preferred shareholders shall not request the Bank to recover the rights of Preferred shares held by such Preferred shareholders.</p> <p>8. The Preferred shares refer to the undated shares which may be recovered by the Bank in whole or in part as per the original actual issuing price at any time from the next day after the expiry of five-year term of issuance. The non-recovered Preferred shares will still have rights and obligations as set out in the issuance conditions of this Article. In the same year in which the Preferred shares are recovered, if a resolution on payment of dividends is made at the Shareholder meeting of the Bank, as of the recovery date, the dividends will be paid, which can be calculated according to the actual number of days issuance in the same year.</p> <p>The board of directors shall be authorized to determine the name, issuing date and specific issuance conditions of Preferred share in respect of the capital market conditions and the subscription willingness of investors in accordance with the provisions of Articles of Association of the Bank and other relevant laws &amp; regulations.</p>	
<p>Article 25. Unless otherwise provided by law, board resolutions shall be approved by the majority of directors attending a meeting that is attended by the majority of all</p>	<p>Article 25 Unless otherwise provided by law, board resolutions shall be approved by the majority of directors attending a meeting that is attended by the majority of all</p>	<p>In accordance with Article 206 of the Company Law, when the directors have their own</p>

Clause after Amendment	Clause before Amendment	Remarks
<p>directors. If a director has any interest in any matter in the meeting, a statement shall be provided in the meeting about the main aspects of such interest. A spouse, a second parent, or other internal blood relatives of a director, or a company that has a controlling affiliation with a director, who is interested in matters of the preceding meeting, shall be deemed to have a stake in the matter.</p>	<p>directors. If a director has any interest in any matter in the meeting, a statement shall be provided in the meeting about the main aspects of such interest.</p>	<p>interests in the matters of the meeting, they should explain the important contents of their own interests on the board of directors. Adding a director's spouse, a second parent, or other internal blood relatives, or a company that has a controlling affiliation with the directors, is considered to be a director's own interest in the matter.</p>
<p>Article 39 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 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. When distributing the surplus of the preceding paragraph, the statutory surplus reserve and the capital reserve by way of issuing new shares, the shareholders' meeting shall be invited to make a special resolution; the cash assignor shall be authorized to be distributed by the board of directors with more than two-thirds of the directors attending and attending the resolution of more than half of the directors. And report to the shareholders meeting. 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 Bank. In principle, if the ratio between the Bank's</p>	<p>Article 39 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 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. 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 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; before the level reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of total capital.</p>	<p>In accordance with the amendments to Article 240 of the Companies Act</p>

Clause after Amendment	Clause before Amendment	Remarks
<p>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; before the level reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of total capital.</p>		
<p>Article 39-1 At the end of each half of the accounting year, the Bank may propose a proposal for the distribution of surplus or loss for the first half of the fiscal year, together with the business report and financial statements submitted to the Audit Committee for review, and the resolution of the board of directors. When allocating surpluses, in addition to estimating and retaining taxable donations, making up for losses according to law, and making statutory surplus reserves, it is also advisable to retain employee compensation. When the surplus distribution of the preceding paragraph is based on the method of issuing new shares, it shall be submitted to the shareholders' meeting for special resolution; the person who issues cash shall be subject to the resolution of the board of directors of the Bank.</p>	<p>Article 39-1 NONE</p>	<p>The text shall be amended (as the case may be).</p>
<p>Article 43 This charter was concluded on August 20, 1990 in the Republic of China. (hereinafter omitted) The 23rd amendment was made on May 31, 2019.</p>	<p>Article 43 This charter was concluded on August 20, 1990 in the Republic of China. (Omitted below).</p>	<p>The date of this amendment has been added.</p>

## Attachment 6

["Handling Procedures for Acquisition or Disposal of Assets"]

Table of Comparison Showing Clauses Before and After Amendment

Clause	Clause after Amendment	Clause before Amendment	Remarks
Article 1	The dispose on assets acquired or disposed by the company, shall be disposed according to Dispose Criterion that Public Company Acquire or Dispose Assets (hereinafter referred to as this criterion) issued by this dispose process and Financial Supervisory Commission (hereinafter referred to as FSM). <u>However, if the financial related laws and regulations are otherwise provided, the provisions shall prevail.</u>	The dispose on assets acquired or disposed by the company, shall be disposed according to Dispose Criterion that Public Company Acquire or Dispose Assets (hereinafter referred to as this criterion) issued by this dispose process and Financial Supervisory Commission (hereinafter referred to as FSM).	In order to avoid the doubt that the order of the law applies, it is stipulated in the relevant provisions of the relevant financial regulations.
Article 2	The application scope of assets referred by this process procedure is as follows: 1. Stocks, bonds, corporate bonds, financial bonds, negotiable securities of recognition fund, depository receipt, subscribe (sell) authority certificate, beneficial securities, asset backed securities and other investment. 2. Real estate (including land, house, building, investment real estate,) and equipment. 3. Member card 4. Patent right, copyright, trademark right, chartered right and other intangible assets. <u>5. Use rights assets.</u> 6. Obligatory right of financing institution (including receivables, buy send discount, loan and overdue receivables). 7. Derivative securities. 8. Assets acquired or disposed according to legal merger, split, acquisition or shares transferee. 9. Other important assets.	The application scope of assets referred by this process procedure is as follows: 1. Stocks, bonds, corporate bonds, financial bonds, negotiable securities of recognition fund, depository receipt, subscribe (sell) authority certificate, beneficial securities, asset backed securities and other investment. 2. Real estate (including land, house, building, investment real estate, land usage right) and equipment. 3. Member card 4. Patent right, copyright, trademark right, chartered right and other intangible assets. 5. Obligatory right of financing institution (including receivables, buy send discount, loan and overdue receivables). 6. Derivative securities. 7. Assets acquired or disposed according to legal merger, split, acquisition or shares transferee. 8. Other important assets.	1. The competent authority shall, in accordance with the provisions of the International Financial Reporting Standards No. 16 Lease Bulletin, add a fifth paragraph to expand the scope of the right to use assets and move the current second land use right to the fifth paragraph. The competent authority revised. 2. Paragraphs 5 to 9 of the current paragraph are moved to paragraphs 6 to 9.
Article 3	Definitions of words in this process procedure are as follows: 1. Derivative securities: it means the forward contract, option contracts, futures contracts, whose value is derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, prices or rate indices, credit ratings, or credit indices, or other variables.	Definitions of words in this process procedure are as follows: 1. Derivative securities: it means the forward contract, option contract, future Contract, leverage contract, commutative contract with the value derived by assets, interest rates, exchange rates, indexes or other benefits and commodities, and the compound contract formed by the	1. The competent authority shall, in accordance with the definition of Financial Instruments No. 9 of the International Financial Reporting Standards, amend the scope of the derivative commodities of this

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>A leveraged margin contract, an exchange contract, a combination of the above-mentioned contracts, or a combined contract or structured commodity in which derivative goods are embedded. The so-called forward contract does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term import (sale) contracts. Derivative goods: forward contracts, option contracts, futures contracts, whose value is derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, prices or rate indices, credit ratings, or credit indices, or other variables. A leveraged margin contract, an exchange contract, a combination of the above-mentioned contracts, or a combined contract or structured commodity in which derivative goods are embedded. The so-called forward contract does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term import (sale) contracts.</p> <p>2. Assets acquired or disposed by legal merger, split, acquisition or shares transferee: it means the assets acquired or disposed by merger, split or acquisition according to enterprise acquisition law, financial holding company law, financial institution merger law or other laws, or issuing new stock and transferee the stock of company (hereinafter referred to as stock transferee) according to regulations in Item 156 the third Article of Company Law.</p> <p>3. Related persons, sub-company: shall identify according to the rule regulation of financial reports of securities issuers.</p> <p>4. Professional valuer: real estate valuer or other person working on real estate and equipment valuation service according to law.</p> <p>5. Event occurrence date: it means the dates as former such as trading</p>	<p>grouping of commodities above. The referred forward contract not includes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-time purchasing (selling) goods contract.</p> <p>2. Assets acquired or disposed by legal merger, split, acquisition or shares transferee: it means the assets acquired or disposed by merger, split or acquisition according to enterprise acquisition law, financial holding company law, financial institution merger law or other laws, or issuing new stock and transferee the stock of company (hereinafter referred to as stock transferee) according to regulations in Item 8 of 156 Article of Company Law.</p> <p>3. Related persons, sub-company: shall identify according to the rule regulation of financial reports of securities issuers.</p> <p>4. Professional valuer: real estate valuer or other person working on real estate and equipment valuation service according to law.</p> <p>5. Event occurrence date: it means the dates as former such as trading contract date, payment date, entrust transaction date, transfer date, resolution date of board of directors, or date of other information determining transaction object and transaction amount. As for the investor that need to be approved by competent authorities, take the date as former or date of receiving approval of competent authorities as the criterion.</p> <p>6. Mainland investment: it means the mainland investment according to investment of Investment Commission of Ministry of Economic or technology cooperation licensing regulation in mainland.</p>	<p>Code, and therefore cooperate with the competent authority to amend it.</p> <p>2. The competent authority shall, in accordance with the amendment of the company's law, amend the "Article 156, Section 8" cited in the second paragraph to "Article 156, the third", so it shall be revised in accordance with the competent authority. .</p> <p>Third, the scope of the investment as a professional.</p> <p>4. The scope of the securities exchange and the securities firm's business premises at home and abroad.</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>contract date, payment date, entrust transaction date, transfer date, resolution date of board of directors, or date of other information determining transaction object and transaction amount. As for the investor that need to be approved by competent authorities, take the date as former or date of receiving approval of competent authorities as the criterion.</p> <p>6. Mainland investment: it means the mainland investment according to investment of Investment Commission of Ministry of Economic or technology cooperation licensing regulation in mainland.</p> <p>7. Investment as a professional: refers to a financial holding company, a bank, an insurance company, a ticket financing company, a trust industry, a self-operated or underwriting business, which is established according to the law and is managed by the local financial authority. Self-operated futures dealers, securities investment trusts, securities investment advisory businesses and fund management companies.</p> <p>8. Stock exchange: Domestic stock exchange refers to Taiwan Stock Exchange Co., Ltd.; foreign stock exchange refers to any securities trading market organized and managed by the securities authority of the country.</p> <p>9. The business premises of securities dealers: the domestic securities firm's business premises, which refers to the place where the securities dealers set up counters to conduct transactions according to the securities securities management office's management rules for trading securities; the foreign securities firm's business premises refer to the foreign securities authorities' management. The financial institution's business premises that operate securities business.</p>		
Article 4	The assets acquired or disposed by the company in the scope of Article	The assets acquired or disposed by the company in the scope of Article 2,	The competent authority shall, in

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>2, except for other evaluation or operation procedures, the rest shall depend on the regulations of this process procedure, all the handling ministries or offices propose the assessment methods, operating procedures and other data, submit board of directors for authorizing after approval, during adjournment of board of directors, executive board of directors approves and report to board of directors for future reference. The items should be record in the preceding item assessment and operation procedure are as follows:</p> <p>1. Assessment procedure: including price decision method, reference bases, etc.</p> <p>2. Operation procedure: including authorization amount, level, execution unit, transaction process, etc.</p> <p>As for the real estate acquired by the company not for business application, And its right to use assets, the total and limit amount shall be handled according to bank law and related regulations.</p> <p>As for the total amount of negotiable securities or limit amount of individual negotiable securities of the company, they shall be handled according to The Bank Investment Policy and related regulations.</p> <p>As for working on transaction of related persons, transaction of derivative commodities, conducting enterprise merger, split, acquisition or shares transferee, which shall not only conform to the regulations from Chapter 3 to Chapter 5 in this disposal procedure, but also be handled according to the related operation regulation.</p> <p>The company shall urge sub-company to set and execute to acquire or dispose assets disposal procedure according to regulation of the criterion, then control and manage the acquisition or disposition of company assets according to Supervision Control Operation Criterion of the Bank on Sub-company.</p>	<p>except for other evaluation or operation procedures, the rest shall depend on the regulations of this process procedure, all the handling ministries or offices propose the assessment methods, operating procedures and other data, submit board of directors for authorizing after approval, during adjournment of board of directors, executive board of directors approves and report to board of directors for future reference. The items should be record in the preceding item assessment and operation procedure are as follows:</p> <p>1. Assessment procedure: including price decision method, reference bases, etc.</p> <p>2. Operation procedure: including authorization amount, level, execution unit, transaction process, etc.</p> <p>As for the real estate acquired by the company not for business application, the total and limit amount shall be handled according to bank law and related regulations.</p> <p>As for the total amount of negotiable securities or limit amount of individual negotiable securities of the company, they shall be handled according to The Bank Investment Policy and related regulations.</p> <p>As for working on transaction of related persons, transaction of derivative commodities, conducting enterprise merger, split, acquisition or shares transferee, which shall not only conform to the regulations from Chapter 3 to Chapter 5 in this disposal procedure, but also be handled according to the related operation regulation.</p> <p>The company shall urge sub-company to set and execute to acquire or dispose assets disposal procedure according to regulation of the criterion, then control and manage the acquisition or disposition of company assets according to Supervision Control Operation Criterion of the Bank on Sub-company.</p>	<p>accordance with the provisions of the International Financial Reporting Standards No. 16 Lease Bulletin, include the real estate use right assets not for business use in the calculation of the limits of the handling procedures, and shall be revised in accordance with the competent authority.</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
Article 6	<p>As for the real estate or equipment acquired, Or its right to use assets, except for domestic or disposed by the company, except for equipment Or its right to use assets for trading with governmental agencies, self-land entrust construction, rented land entrust construction, or acquisition or disposition for business application, when the transaction amount reaching to 20% of paid-in capital of company or more than NTD\$ 300 million, shall acquire the valuation report issued by professional value before the event occurrence date, and shall conform the following regulations:</p> <p>1. Due to special reasons, the limited price, or specific price, or special price shall be set as the reference bases of transaction price, the transaction shall firstly submit to board of directors for resolution approval, if the transaction conditions are changed in the future, it shall also be handled according to the procedures above.</p> <p>2. As for transaction amount of reaching to 1 billion NTD, shall ask more than two professional valuers to make price valuation.</p> <p>3. If there is one of the following situations in the price valuation results of professional valuers, except for the valuation result of acquired assets higher than the transaction amount, or valuation result of assets disposal lower than transaction amount, shall ask accountant to handle according to No. 20 regulation of auditing criterion issued in Accounting Research and Development Foundation (hereinafter referred to as Accounting Research and Development Foundation), and express the detailed opinions for the suitability of difference reason and transaction price.</p> <p>(1). Difference between valuation result and transaction amount reaching to more than 20% of transaction amount.</p> <p>(2). Difference between valuation results of more than two</p>	<p>As for the real estate or equipment acquired or disposed by the company, except for equipment for trading with governmental agencies, self-land entrust construction, rented land entrust construction, or acquisition or disposition for business application, when the transaction amount reaching to 20% of paid-in capital of company or more than NTD\$ 300 million, shall acquire the valuation report issued by professional value before the event occurrence date, and shall conform the following regulations:</p> <p>1. Due to special reasons, the limited price, or specific price, or special price shall be set as the reference bases of transaction price, the transaction shall firstly submit to board of directors for resolution approval, if the transaction conditions are changed in the future, it shall also be handled according to the procedures above.</p> <p>2. As for transaction amount of reaching to 1 billion NTD, shall ask more than two professional valuers to make price valuation.</p> <p>3. If there is one of the following situations in the price valuation results of professional valuers, except for the valuation result of acquired assets higher than the transaction amount, or valuation result of assets disposal lower than transaction amount, shall ask accountant to handle according to No. 20 regulation of auditing criterion issued in Accounting Research and Development Foundation (hereinafter referred to as Accounting Research and Development Foundation), and express the detailed opinions for the suitability of difference reason and transaction price.</p> <p>(1). Difference between valuation result and transaction amount reaching to more than 20% of transaction amount.</p> <p>(2). Difference between valuation results of more than two professional valuers reaching to more than 10% of transaction amount.</p>	<p>The competent authority shall, in accordance with the provisions of the International Financial Reporting Standards No. 16 Lease Bulletin, include the real estate use right assets not for business use in the calculation of the limits of the handling procedures, and shall be revised in accordance with the competent authority.</p> <p>1. The competent authority considers the transaction with the central and local government agencies in China, and needs to handle the bidding or bidding in accordance with relevant regulations. The price is less likely to be manipulated, so that it can be exempted from the acquisition of expert opinions and trade with foreign government agencies. Because the relevant regulations and the bargaining mechanism are relatively unclear, it is not within the scope of this article. The first item is limited to domestic government agencies, so it is revised in accordance with the competent authority.</p> <p>2. The competent authority shall, in accordance with the provisions of the International Financial Reporting Standards No. 16 Lease Bulletin, revise the first item and include the right-of-use asset in</p>



Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>professional valuers reaching to more than 10% of transaction amount.</p> <p>4. Date of report issued by the professional valuator and contractual establishment date shall not exceed three months. But if apply to the same issue of current value and no more than six months, the original professional valuator shall issue position paper.</p>	<p>4. Date of report issued by the professional valuator and contractual establishment date shall not exceed three months. But if apply to the same issue of current value and no more than six months, the original professional valuator shall issue position paper.</p>	<p>the specification of this Article, so it shall be revised in accordance with the competent authority.</p> <p>3. The first paragraph of the first paragraph shall be amended as a text.</p>
Article 8	<p>The company acquires or disposes intangible or membership card assets transaction amount reaches to twenty percent of the paid-in capital or exceeds NTD three hundred million, except for domestic transacting with government agencies, shall consult accountant to express opinion on the reasonability of transaction price before fact happens, meanwhile shall follow the No. 20 Provision of auditing standards statement that issued by Accounting Research and Development Foundation to deal with.</p>	<p>The company acquires or disposes membership card or intangible assets transaction amount reaches to twenty percent of the paid-in capital or exceeds NTD three hundred million, except for transacting with government agencies, shall consult accountant to express opinion on the reasonability of transaction price before fact happens, meanwhile shall follow the No. 20 Provision of auditing standards statement that issued by Accounting Research and Development Foundation to deal with.</p>	<p>The reasons for the amendment are the same as in Article 6 and are subject to textual amendments.</p>
Article 9	<p>The company acquired valuation report or the position paper of accountant, lawyer, or securities underwriters, the professional valuator, the valuer, accountant, lawyer, or securities underwriters shall. The following provisions shall be met:</p> <p>1. Have not been sentenced to more than one year in prison for breach of the Securities Exchange Law, the Company Law, the Banking Law, the Insurance Law, the Financial Holding Company Law, the Commercial Accounting Law, or the fraud, breach of trust, encroachment, forgery of documents or business crimes. Announcement is confirmed. However, if the execution is completed, the probation period expires or the pardon has been completed for three years, this is not the limit.</p> <p>2. The situation in which the party to the transaction may not be a related person or a person with a substantive relationship.</p> <p>3. If the company should obtain the</p>	<p>The company acquired valuation report or the position paper of accountant, lawyer, or securities underwriters, the professional valuator, the valuer, accountant, lawyer, or securities underwriters shall not be the related persons of traded parties.</p>	<p>In accordance with Article 5 of the “Guidelines for the Acquisition or Disposal of Assets of Public Offering Companies”, the negative qualifications of relevant experts shall be clarified, and the evaluation, verification and declaration of the valuation report or opinion issued by relevant experts shall be clearly defined and revised.</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>valuation report of two or more professional valuers, different professional valuers or appraisers may not be related to each other or have substantive relationships. When issuing the valuation report or opinion, the personnel of the preceding paragraph shall handle the following matters:</p> <ol style="list-style-type: none"> <li>1. Before undertaking a case, you should carefully assess your professional ability, practical experience and independence.</li> <li>2. When checking the case, the appropriate operational procedures should be properly planned and implemented to form a conclusion and a report or opinion should be issued accordingly; and the procedures, data collected and conclusions to be carried out are detailed in the working paper of the case.</li> <li>3. The source, parameters and information of the materials used shall be evaluated item by item for completeness, correctness and reasonableness as the basis for the issuance of valuation reports or opinions.</li> <li>4. The matters of declaration shall include the professionalism and independence of the relevant personnel, the information used for evaluation shall be reasonable and correct, and the relevant laws and regulations shall be followed.</li> </ol>		
Article 12	<p>If the Company has acquired or its right to use assets disposed of the immovable property or other assets (other than immovable property) from or with the related persons, Or its right to use assets and the transaction amount has reached 20% of the Company's paid-in capital, 10% of the total assets or NTD\$ 300 million or more, apart from buying and selling the government bonds, conditionally buying back and selling back the bonds, subscribing or redeeming the domestic money market funds, the following information should be submitted to the board of directors for approval and the Supervisor for</p>	<p>If the Company has acquired or disposed of the immovable property or other assets (other than immovable property) from or with the related persons, and the transaction amount has reached 20% of the Company's paid-in capital, 10% of the total assets or NTD\$ 300 million or more, apart from buying and selling the government bonds, conditionally buying back and selling back the bonds, subscribing or redeeming the domestic money market funds, the following information should be submitted to the board of directors for approval and the Supervisor for recognition before signing the transaction</p>	<p>1. The competent authority considers that the central and local government debts of our country are clear and easy to inquire, and the procedures for submission to the board of directors and the recognition of the supervisors are exempted. The foreign governments have different credits and are not exempt from this article. The designated public debts</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>recognition before signing the transaction contract and paying a sum of money:</p> <ol style="list-style-type: none"> <li>1. Purpose, necessity and expected benefits of acquiring or disposing of assets;</li> <li>2. Reasons for selecting the related persons as the transaction objects;</li> <li>3. Information on acquiring the real estate from the related persons Or its right to use assets and evaluating the rationality of predetermined transaction conditions in accordance with the provisions of Article 13nd 14.</li> <li>4. Original date of acquiring the real estate from the related persons and price, transaction object and its relationship with the Company and related persons and other matters;</li> <li>5. Information on predicting the forecasted statement of cash receipts and payments in months of the coming year after signing the contract as well as evaluating the necessity of transaction and the rationality of application of funds;</li> <li>6. Valuation report issued by the professional valuer and obtained in accordance with the provisions of the preceding article or comments made by the accountant;</li> <li>7. Restrictions on this transaction and other important matters.</li> </ol> <p>The amount of transaction as stated in the preceding paragraph shall be calculated in accordance with the provisions of Paragraph 2 of Article 28. The so-called "one year" refers to the previous year calculated retroactively based on the date of actual occurrence of transaction as the base date. It is not required for further calculating the part submitted to the board of directors for approval and the Supervisor for recognition in accordance with the provisions of such Standards..</p> <p>The board of directors shall authorize the Chairman of the board to decide whether to acquire or dispose of the equipment for use in the business between the Company and the parent company or between the subsidiary companies within a</p>	<p>contract and paying a sum of money:</p> <ol style="list-style-type: none"> <li>1. Purpose, necessity and expected benefits of acquiring or disposing of assets;</li> <li>2. Reasons for selecting the related persons as the transaction objects;</li> <li>3. Information on acquiring the real estate from the related persons and evaluating the rationality of predetermined transaction conditions in accordance with the provisions of Article 13nd 14.</li> <li>4. Original date of acquiring the real estate from the related persons and price, transaction object and its relationship with the Company and related persons and other matters;</li> <li>5. Information on predicting the forecasted statement of cash receipts and payments in months of the coming year after signing the contract as well as evaluating the necessity of transaction and the rationality of application of funds;</li> <li>6. Valuation report issued by the professional valuer and obtained in accordance with the provisions of the preceding article or comments made by the accountant;</li> <li>7. Restrictions on this transaction and other important matters.</li> </ol> <p>The amount of transaction as stated in the preceding paragraph shall be calculated in accordance with the provisions of Paragraph 2 of Article 28. The so-called "one year" refers to the previous year calculated retroactively based on the date of actual occurrence of transaction as the base date. It is not required for further calculating the part submitted to the board of directors for approval and the Supervisor for recognition in accordance with the provisions of such Standards..</p> <p>The board of directors shall authorize the Chairman of the board to decide whether to acquire or dispose of the equipment for use in the business between the Company and the parent company or between the subsidiary companies within a certain sum of money in advance in accordance with the provisions of Subparagraph 2, Paragraph 1, Article</p>	<p>are limited to domestic public debts, so they are revised in accordance with the competent authority; in addition, the competent authority, in accordance with the provisions of the International Financial Reporting Standard No. 16 Lease Bulletin, incorporates the right-of-use assets into the provisions of this Article and also complies with the revision of the competent authority.</p> <p>2. The competent authority considers that the publicly-issued company and its parent company, its subsidiaries, or its directly or indirectly 100%-owned subsidiaries, have mutual plans for the collective purchase or lease of equipment for business use. The necessary and demand for transfer (including trading or subletting), or the possibility of subscribing to real estate, sub-lease, and the risk of such transactions is low, and the equipment acquired or disposed of for use by the companies and their right-of-use assets are relaxed. Or the procedure for the verification of real estate use rights assets for business use. The approval authority for the revision of the above transaction situation is handled in</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>certain sum of money in advance in accordance with the provisions of Subparagraph 2, Paragraph 1, Article 4, and then submit the latest report to the board of directors for retroactive recognition after the event.</p> <p>The Company and the subsidiaries engage in the following transactions, and their approval rights are handled in accordance with the Company's "Internal Auditing Authority and Accountability Table":</p> <ol style="list-style-type: none"> <li>1. Obtain or dispose of the equipment for business use or its right to use assets.</li> <li>2. Acquiring or disposing of the right to use real estate for business use.</li> </ol> <p>When submitting to the board of directors for discussion in accordance with the provisions of preceding paragraph, the Company shall give full consideration to the opinions raised by the independent directors. The objections or reservations (if any) proposed by the independent directors shall be set out in the minutes of proceedings of the board of directors.</p> <p>If the first item is not approved by more than one-half of all members of the Audit Committee, the provisions of Article 32, paragraphs 3 and 4 shall apply.</p>	<p>4, and then submit the latest report to the board of directors for retroactive recognition after the event.</p> <p>When submitting to the board of directors for discussion in accordance with the provisions of preceding paragraph, the Company shall give full consideration to the opinions raised by the independent directors. The objections or reservations (if any) proposed by the independent directors shall be set out in the minutes of proceedings of the board of directors.</p> <p>If the first item is not approved by more than one-half of all members of the Audit Committee, the provisions of Article 32, paragraphs 3 and 4 shall apply.</p>	<p>accordance with the "Internal Auditing Authority and Responsibilities Table for Accounting Affairs" of the Company.</p>
Article 13	<p>The company obtains the real estate from related persons Or its right to use assets , shall evaluate the rationality of transaction cost according to the following methods:</p> <ol style="list-style-type: none"> <li>1. According to the related persons transaction price plus necessary funds interest and the cost the company shall undertake according to law. The referred necessary funds interest cost, shall take the weighted average interest rate of the annual borrowed amount of the company purchased the assets as the standard to calculate, but shall not be higher than the highest borrowing rates of non-financial industry that announced by the Ministry of Finance.</li> </ol>	<p>The company obtains the real estate from related persons, shall evaluate the rationality of transaction cost according to the following methods:</p> <ol style="list-style-type: none"> <li>1. According to the related persons transaction price plus necessary funds interest and the cost the company shall undertake according to law. The referred necessary funds interest cost, shall take the weighted average interest rate of the annual borrowed amount of the company purchased the assets as the standard to calculate, but shall not be higher than the highest borrowing rates of non-financial industry that announced by the Ministry of Finance.</li> <li>2. If related persons once use this</li> </ol>	<ol style="list-style-type: none"> <li>1. The competent authority shall, in accordance with the provisions of the Lease Bulletin No. 16 of the International Financial Reporting Standards, include the assets of the real estate use right acquired by the related parties in the provisions of this Article, and cooperate with the regulations of the competent authority.</li> <li>2. The competent authority considers that the public</li> </ol>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>2.If related persons once use this contract object to set a mortgage from financial institutions, financial institutions evaluate the gross loan of this contract object, only when the actual loan aggregate-value reaches to more than 70% of gross loan evaluation meanwhile loan period has exceeded 1 year. But if the financial institution or any of transaction parties are related persons of each other, under such circumstance, shall not apply. Combination purchase of the land and building of same contract object, shall evaluate the transaction cost of land and building according to any method the preceding section lists. Evaluation of the real estate costs according to regulations of the Section 1 and Section 2, shall consult and invite accountant to review and express specific opinion. The company acquires real estate from the related persons Or its right to use assets, any of the following circumstances, shall handle in accordance with the regulations of Article 12, not applicable to the regulations of preceding three sections:</p> <ol style="list-style-type: none"> <li>1.The related person’s acquisition of real estate because of inheritance or donation. Or its right to use assets.</li> <li>2.For more than 5 years already since the time when related persons contracting and acquiring real estate Or its right to use assets to the contracting date of this transaction.</li> <li>3.Acquisition of real estate because of signing co-construction contract with related persons, or acquisition of real estate because of self-land entrust construction, rented land entrust construction, and entrust related persons for construction of real estate.</li> <li>4. The Company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, acquire the real estate use right assets for business use.</li> </ol>	<p>contract object to set a mortgage from financial institutions, financial institutions evaluate the gross loan of this contract object, only when the actual loan aggregate-value reaches to more than 70% of gross loan evaluation meanwhile loan period has exceeded 1 year. But if the financial institution or any of transaction parties are related persons of each other, under such circumstance, shall not apply. Combination purchase of the land and building of same contract object, shall evaluate the transaction cost of land and building according to any method the preceding section lists. Evaluation of the real estate costs according to regulations of the Section 1 and Section 2, shall consult and invite accountant to review and express specific opinion. The company acquires real estate from the related persons, any of the following circumstances, shall handle in accordance with the regulations of Article 12, not applicable to the regulations of preceding three sections:</p> <ol style="list-style-type: none"> <li>1.The related person’s acquisition of real estate because of inheritance or donation.</li> <li>2.For more than 5 years already since the time when related persons contracting and acquiring real estate to the contracting date of this transaction.</li> <li>3.Acquisition of real estate because of signing co-construction contract with related persons, or acquisition of real estate because of self-land entrust construction, rented land entrust construction, and entrust related persons for construction of real estate.</li> </ol>	<p>issuance company and its parent company, its subsidiaries, or its directly or indirectly 100%-owned subsidiaries, have a collective lease of real estate, and the possibility of sub-letting, and The risk of unlawful transactions involving a non-conventional transaction is relatively low. The fourth paragraph of the fourth paragraph is added to exclude the reasonableness of the transaction costs (the price at which the acquirer obtains the price of the real estate transaction or the price paid for the leased real estate). Therefore, it is revised in accordance with the competent authority.</p>
Article 14	Compared with transaction price, the company evaluates the result	Compared with transaction price, the company evaluates the result low	The competent authority relaxed the

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>low according to the regulations of preceding first section and second section, shall handle according to the Article 15. But because of the following circumstances, meanwhile for which put forwards objective evidence and acquires the specific and rational opinion of real estate professional evaluator, shall not subject to the limits.</p> <p>1.Related persons are the people who acquire raw land or rented land and then construct, meanwhile meet one of the followed conditions:  (1) Raw land evaluation according to the method of preceding article, as for building, according to construction cost plus reasonable construction profit, the total exceeds actual transaction price. The referred reasonable construction profit shall take the lower gross margin between the average operating margin of related persons' construction department in the past three years or gross margin of construction industry in recent period that published by Ministry of Finance as standard.  (2) Other floors of a same contract object real estate or other non-related persons' successful transaction case in nearby district within 1 year, area is similar, meanwhile the transaction condition is equivalent after evaluated according to reasonable floor and district difference in price of real estate business practices.</p> <p>2.Purchase of real estate from related persons, the transaction condition is equivalent to other non-related persons' successful transaction case in nearby district within 1 year, meanwhile area is similar.</p> <p>As for the preceding referred nearby district or transaction case, take the case that in a same or nearby street meanwhile within 500 meters in circumference at a distance from transaction contract object, or the case which has similar announced land current value as principle; the referred similar area</p>	<p>according to the regulations of preceding first section and second section, shall handle according to the Article 15. But because of the following circumstances, meanwhile for which put forwards objective evidence and acquires the specific and rational opinion of real estate professional evaluator, shall not subject to the limits.</p> <p>1.Related persons are the people who acquire raw land or rented land and then construct, meanwhile meet one of the followed conditions:  (1) Raw land evaluation according to the method of preceding article, as for building, according to construction cost plus reasonable construction profit, the total exceeds actual transaction price. The referred reasonable construction profit shall take the lower gross margin between the average operating margin of related persons' construction department in the past three years or gross margin of construction industry in recent period that published by Ministry of Finance as standard.  (2) Other floors of a same contract object real estate or other non-related persons' successful transaction case in nearby district within 1 year, area is similar, meanwhile the transaction condition is equivalent after evaluated according to reasonable floor and district difference in price of real estate business practices.  (3) Other non-related persons' rental case of other floors of a same contract object real estate within 1 year, the transaction condition is equivalent, after estimated according to reasonable floor difference in price of real estate rental practices.</p> <p>2.Purchase of real estate from related persons, the transaction condition is equivalent to other non-related persons' successful transaction case in nearby district within 1 year, meanwhile area is similar.</p> <p>As for the preceding referred nearby district or transaction case, take the case that in a same or nearby street meanwhile within 500 meters in</p>	<p>acquisition of real estate use right assets from related parties, and was able to use the non-relevant lease transactions in the adjacent area for one year as a reference case for calculating and estimating the reasonableness of the transaction price, and the current first paragraph first paragraph third item The consolidation to the second item and the addition of the rental case are also transaction cases and are revised in conjunction with the competent authority.</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	shall take the non-related persons other transaction case that area is no less than 50% of transaction contract object area as principle; the referred within 1 year means to based on the fact occurrence date of acquisition of real estate this time, retrospect and calculate one year.	circumference at a distance from transaction contract object, or the case which has similar announced land current value as principle; the referred similar area shall take the non-related persons other transaction case that area is no less than 50% of transaction contract object area as principle; the referred within 1 year means to based on the fact occurrence date of acquisition of real estate this time, retrospect and calculate one year.	
Article 15	<p>The company acquires real estate from related persons Or its right to use assets, if compared with transaction price, the evaluation result is low according to the regulations of Article 13 and Article 14, and the company shall handle the following matters:</p> <p>1.The difference between the real estate Or its right to use assets transaction price and evaluation cost shall not be assigned or transferred as capital increase and allotment of shares according to special reserve that proposed and listed in the first section regulation of Article 41 of the Securities and Exchange Law. If the investor of the company investment equity method assessment is public company, also shall propose and list the special reserve on the proposed and listed amount according to shareholding ratio in accordance with the first section regulation of Article 41 of the Securities and Exchange Law.</p> <p>2.Supervisor shall handle according to the Article 218 of Company Law.</p> <p>3.The first and second items handling cases should be proposed and reported to Shareholders meeting, transaction details are revealed in the annual report and prospectus.</p> <p>Shall start use the special reserves that the company proposes and lists according to the preceding item after the high-priced purchased assets have been recognized as unrealized loss, disposal, appropriate compensation or restitution, or there is other</p>	<p>The company acquires real estate from related persons, if compared with transaction price, the evaluation result is low according to the regulations of Article 13 and Article 14, and the company shall handle the following matters:</p> <p>1.The difference between the real estate transaction price and evaluation cost shall not be assigned or transferred as capital increase and allotment of shares according to special reserve that proposed and listed in the first section regulation of Article 41 of the Securities and Exchange Law. If the investor of the company investment equity method assessment is public company, also shall propose and list the special reserve on the proposed and listed amount according to shareholding ratio in accordance with the first section regulation of Article 41 of the Securities and Exchange Law.</p> <p>2.Supervisor shall handle according to the Article 218 of Company Law.</p> <p>3.The first and second items handling cases should be proposed and reported to Shareholders meeting, transaction details are revealed in the annual report and prospectus.</p> <p>Shall start use the special reserves that the company proposes and lists according to the preceding item after the high-priced purchased assets have been recognized as unrealized loss, disposal, appropriate compensation or restitution, or there is other evidence that confirmation of no unreasonable situation, and after agreed by the Financial</p>	<p>In accordance with the provisions of the International Financial Reporting Standards No. 16 Lease Bulletin, in the first preambular paragraph, the first paragraph, the second paragraph and the third item, the assets of the real estate use right leased to the related parties are included in the assessment cost. When the transaction price is low, the requirements should be revised, so it should be revised in accordance with the competent authority.</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>evidence that confirmation of no unreasonable situation, and after agreed by the Financial Supervisory Commission.</p> <p>If there is other evidence that there is improper regular business practice condition when the company acquires real estate Or its right to use assetstransaction from related persons, shall handle according to the preceding 2 sections.</p>	<p>Supervisory Commission.</p> <p>If there is other evidence that there is improper regular business practice condition when the company acquires real estate transaction from related persons, shall handle according to the preceding 2 sections.</p>	
Article 17	<p>When the company operates the transaction of derivative commodity, shall implement the following risk management measures:</p> <p>1.isk management scope shall include credit, market price, liquidity, cash flow, operation, legal and other risk managements.</p> <p>2.Transaction personnel who engaged in derivative commodity transaction and the person who engaged in confirmation and delivery, etc shall not concurrently hold the position of each other.</p> <p>3.Risk measure, monitor and control personnel shall belong to different departments with the personnel of preceding item, meanwhile shall report to the board of directors or the high-ranking managers who are irresponsible for transaction or parts of the decision making responsibility.</p> <p>4.The derivative commodity transaction holding parts shall be assessed at least once a week, but as for the safe-haven transaction as business required shall be assessed at least twice one month, the assessment report shall be submitted to the high-ranking managers who authorized by the board of directors.</p> <p>5.Other important risk management measures.</p>	<p>When the company operates the transaction of derivative commodity, shall implement the following risk management measures:</p> <p>1.isk management scope shall include credit, market price, liquidity, cash flow, operation, legal and other risk managements.</p> <p>2.Transaction personnel who engaged in derivative commodity transaction and the person who engaged in confirmation and delivery, etc shall not concurrently hold the position of each other.</p> <p>3.Risk measure, monitor and control personnel shall belong to different departments with the personnel of preceding item, meanwhile shall report to the board of directors or the high-ranking managers who are irresponsible for transaction or parts of the decision making responsibility.</p> <p>4.The derivative commodity transaction holding parts shall be assessed at least once a week, but as for the safe-haven transaction as business required shall be assessed at least twice one month, the assessment report shall be submitted to the high-ranking managers who authorized by the board of directors.</p> <p>5.Other important risk management measures.</p>	Text modification.
Article 18	<p>When the company operate the transaction of derivative commodity, board of directors shall implement supervision and administration according to the following policies:</p> <p>1.Assign high-ranking managers to pay attention to the supervision and control of transaction risk of</p>	<p>When the company operate the transaction of derivative commodity, board of directors shall implement supervision and administration according to the following policies:</p> <p>1.Assign high-ranking managers to pay attention to the supervision and control of transaction risk of</p>	Text modification.



Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>derivative commodity at any time.  2.Regularly assess whether the performance of transaction of derivative commodity conforms to the set operation strategy and whether the undertaken risk is under the allowed scope of the company.  High-ranking managers authorized by board of directors shall manage transaction of derivative commodity according to the following policies:  1.Regularly assess whether the current applied risk management measure is suitable and dispose according to transaction disposal procedure of derivative commodity set by the criterion and the company.  2.Supervise transaction, profit and loss situation, when finding abnormal situation, shall conduct necessary response measures, and report to board of directors immediately, independent director of board of directors shall attend and express opinions.  When the company operate the transaction of derivative commodity, and authorizes the related personnel to dispose according to disposal procedure regulation of operating transaction of derivative commodity, shall propose and report to the latest board of directors after then.</p>	<p>derivative commodity at any time.  2.Regularly assess whether the performance of transaction of derivative commodity conforms to the set operation strategy and whether the undertaken risk is under the allowed scope of the company.  High-ranking managers authorized by board of directors shall manage transaction of derivative commodity according to the following policies:  1.Regularly assess whether the current applied risk management measure is suitable and dispose according to transaction disposal procedure of derivative commodity set by the criterion and the company.  2.Supervise transaction, profit and loss situation, when finding abnormal situation, shall conduct necessary response measures, and report to board of directors immediately, independent director of board of directors shall attend and express opinions.  When the company operate the transaction of derivative commodity, and authorizes the related personnel to dispose according to disposal procedure regulation of operating transaction of derivative commodity, shall propose and report to the latest board of directors after then.</p>	
Article 19	<p>The company works on derivatives commodity transaction, and it shall establish the memorandum book, to publish details on derivatives transaction types, amount of money, passing date of board of directors, and matters that shall be carefully evaluated according to Item 4 of Article 17, Item 2 of Section 1 and Item 1 of Section 2 of Article 18, for future reference.  The internal auditors of the company shall understand the internal controls propriety of derivatives transaction at fixed period, and take monthly examination on the abidance condition of derivatives transaction disposal procedure by the</p>	<p>The company works on derivatives commodity transaction, and it shall establish the memorandum book, to publish details on derivatives transaction types, amount of money, passing date of board of directors, and matters that shall be carefully evaluated according to Item 4 of Article 17, Item 2 of Section 1 and Item 1 of Section 2 of Article 18, for future reference.  The internal auditors of the company shall understand the internal controls propriety of derivatives transaction at fixed period, and take monthly examination on the abidance condition of derivatives transaction disposal procedure by the transaction sector, then make an</p>	<p>The competent authority shall, in consideration of the spirit of the internal control system to establish an internal control system for the implementation of the internal control system, the spirit of the auditing operation, and the addition of independent directors who have been set up according to law, shall also notify the independent directors in writing of the</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	transaction sector, then make an audit report. If the auditors discover some illegal matters, they shall inform Independent directors and The Audit Committee in written form.	audit report. If the auditors discover some illegal matters, they shall inform The Audit Committee in written form.	discovery of major derivative goods violations. Match with revision
Article22	<p>As participating in the merger, division or acquisition, except as otherwise stipulated by law, or reporting to Financial Supervisory Commission for agreement in advance on specific factors, the company shall hold board of directors and Shareholders meeting with all participating companies on the same day, to resolve related issues on merger, split or acquisition.</p> <p>As participating in the share transferee, except as otherwise stipulated by law, or reporting to Financial Supervisory Commission for agreement in advance on specific factors, the company shall hold board of directors with all participating companies on the same day.</p> <p>The listing company participating in merger, split, acquisition or shares transferee or its stock traded in securities dealer's business premise, the company shall make the following materials into intact written record, and keep it for five years for examination.</p> <p>1. Basic information of staff: include the professional title, name, ID number (the passport number of foreigners) of all staff that participate in merger, division, acquisition or share transfer plan, or the plan implementation staff before the news is opened to the public.</p> <p>2. Date of important matter: include signing a letter of intent or memorandum, entrusting financial or legal advisor, signing the contract, board of directors and other dates.</p> <p>3. The important documents and journals: include merger, division, acquisition or share transfer plan, letter of intent or memorandum, the important contract and board of directors' journals, or other documents.</p>	<p>As participating in the merger, division or acquisition, except as otherwise stipulated by law, or reporting to Financial Supervisory Commission for agreement in advance on specific factors, the company shall hold board of directors and Shareholders meeting with all participating companies on the same day, to resolve related issues on merger, split or acquisition.</p> <p>As participating in the share transferee, except as otherwise stipulated by law, or reporting to Financial Supervisory Commission for agreement in advance on specific factors, the company shall hold board of directors with all participating companies on the same day.</p> <p>The listing company participating in merger, split, acquisition or shares transferee or its stock traded in securities dealer's business premise, the company shall make the following materials into intact written record, and keep it for five years for examination.</p> <p>1. Basic information of staff: include the professional title, name, ID number (the passport number of foreigners) of all staff that participate in merger, division, acquisition or share transfer plan, or the plan implementation staff before the news is opened to the public.</p> <p>2. Date of important matter: include signing a letter of intent or memorandum, entrusting financial or legal advisor, signing the contract, board of directors and other dates.</p> <p>3. The important documents and journals: include merger, division, acquisition or share transfer plan, letter of intent or memorandum, the important contract and board of directors' journals, or other documents.</p> <p>The listing company participating in merger, split, acquisition or shares</p>	Text modification.

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>The listing company participating in merger, split, acquisition or shares transferee or its stock traded in securities dealer's business premise, the company shall report data of Item 1 and Item 2 of the preceding paragraph to Financial Supervisory Commission for future reference through the internet information systems and according to the prescribed form, on the second day since the date of resolution passing. If there are companies not belonging to the listing company or its stock traded in securities dealer's business premise among companies participating in merger, split, acquisition or shares transferee, the listing company or its stock traded in securities dealer's business premise shall sign an agreement with them, And in accordance with the previous two provisions.</p>	<p>transferee or its stock traded in securities dealer's business premise, the company shall report data of Item 1 and Item 2 of the preceding paragraph to Financial Supervisory Commission for future reference through the internet information systems and according to the prescribed form, on the second day since the date of resolution passing. If there are companies not belonging to the listing company or its stock traded in securities dealer's business premise among companies participating in merger, split, acquisition or shares transferee, the listing company or its stock traded in securities dealer's business premise shall sign an agreement with them, and transact it according to the stipulation of Section 3 and Section 4.</p>	
Article 27	<p>if there are non-public issued companies among companies that participate in merger, split, acquisition or shares transferee, the company shall sign an agreement with them, and transact it according to the stipulation of Article 22, Article 23 and The provisions of the preceding article.</p>	<p>if there are non-public issued companies among companies that participate in merger, split, acquisition or shares transferee, the company shall sign an agreement with them, and transact it according to the stipulation of Article 22, Article 23 and Article 26.</p>	Text modification.
Article 28	<p>As acquiring or disposing the assets, if the following situations happen, the company's sponsoring department shall transact the announcement declaration of relevant information through the website appointed by Financial Supervisory Commission from the second day since the date of things happening, according to assets properties and prescribed form of announcement of Financial Supervisory Commission. 1.Acquire or dispose the real estate from related persons Or its right to use assets, or acquire or dispose other assets except for the real estate with related persons Or its right to use assets with the transaction amount of reaching 20% of paid-in capital, 10% of total assets or over 300 million of New Taiwan Currency. However, buying and</p>	<p>As acquiring or disposing the assets, if the following situations happen, the company's sponsoring department shall transact the announcement declaration of relevant information through the website appointed by Financial Supervisory Commission from the second day since the date of things happening, according to assets properties and prescribed form of announcement of Financial Supervisory Commission. 1.Acquire or dispose the real estate from related persons, or acquire or dispose other assets except for the real estate with related persons with the transaction amount of reaching 20% of paid-in capital, 10% of total assets or over 300 million of New Taiwan Currency. However, buying and selling bonds or bonds attached with buying and selling conditions,</p>	<p>1. The competent authority considers that the central and local government debts of our country are clear and easy to inquire, and the notices are exempted from the announcement. The foreign government bonds are not the same, and the exemptions from this article are not yet covered. The first paragraphs and the sixth paragraphs will be The fixed public debts are clearly limited to domestic public debts, so they are revised in</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>selling bonds or bonds attached with buying and selling conditions, and purchase or redemption of domestic money market funds are not subject to the limits.</p> <p>2. Conduct the merger, split, acquisition or shares transferee.</p> <p>3. The operated derivative commodity transaction losses reach the total amount of the regulated disposal procedure or the upper limit of loss of specific contracts.</p> <p>4. The types of assets acquired or disposed of are equipment for business use, and the transaction objects are not related parties Or its right to use assets, and the transaction amount is NT\$1 billion or more.</p> <p>5. The real estate will be acquired by land commissioning, land lease commission construction, joint housing construction, joint construction, and joint construction. The estimated transaction amount is NT\$500 million.</p> <p>6. Assets transaction, the company's disposal creditor's rights or the operational mainland region investment except for the first five items, with the transaction amount of reaching 20% of paid-in capital, or over 300 million of New Taiwan Currency. But the following conditions are not subject to the limits.</p> <p>(1) Buying and selling domestic bonds.</p> <p>(2) The negotiable securities transaction done in the securities exchange at home and abroad or the securities dealer's business premise by persons that specialized in investment, or the negotiable securities subscribed by securities dealers in the basic-level market and negotiable securities subscribed according to stipulations. (excluding subordinated bonds), or purchase or buy back a securities investment trust or futures trust.</p> <p>(3) Buying and selling bonds attached with buying and selling conditions, and purchase or redemption of domestic money</p>	<p>and purchase or redemption of domestic money market funds are not subject to the limits.</p> <p>2. Conduct the merger, split, acquisition or shares transferee.</p> <p>3. The operated derivative commodity transaction losses reach the total amount of the regulated disposal procedure or the upper limit of loss of specific contracts.</p> <p>4. The types of assets acquired or disposed of are equipment for business use, and the transaction objects are not related parties, and the transaction amount is NT\$1 billion or more.</p> <p>5. The real estate will be acquired by land commissioning, land lease commission construction, joint housing construction, joint construction, and joint construction. The estimated transaction amount is NT\$500 million.</p> <p>6. Assets transaction, the company's disposal creditor's rights or the operational mainland region investment except for the first five items, with the transaction amount of reaching 20% of paid-in capital, or over 300 million of New Taiwan Currency. But the following conditions are not subject to the limits.</p> <p>(1) Buying and selling bonds.</p> <p>(2) The negotiable securities transaction done in the securities exchange at home and abroad or the securities dealer's business premise by persons that specialized in investment, or the negotiable securities subscribed by securities dealers in the basic-level market and negotiable securities subscribed according to stipulations.</p> <p>(3) Buying and selling bonds attached with buying and selling conditions, and purchase or redemption of domestic money market funds.</p> <p>(4) The acquired or dispose asset type belongs to the equipment supplied for business use, and its transaction object is not related persons, meanwhile, the transaction amount is no more than New Taiwan Currency of 500 million.</p>	<p>accordance with the competent authorities.</p> <p>2. The competent authority shall, in accordance with the provisions of the Lease Bulletin No. 16 of the International Financial Reporting Standards, amend the first paragraph, the first paragraph, the fourth paragraph and the third paragraph, and include the right-of-use assets in the specification, so cooperate with the competent authority. Revised.</p> <p>Third, the first paragraph of the fifth paragraph is to regulate the situation of non-relevant transactions, discretionary text corrections, to be clear.</p> <p>4. The competent authority considers investment as a professional (1) The sale and purchase of securities on the stock exchanges of securities companies or securities firms at home and abroad is a regular business operation, which may lead to frequent announcements, based on the significant consideration of information disclosure. 爰 exemption from its announcement; (2) the act of subscribing to ordinary corporate bonds in foreign primary markets is a regular act and its commodity nature is pure; and the domestic securities investment</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>market funds.</p> <p>(4) The acquired or dispose asset type belongs to the equipment supplied for business use, and its transaction object is not related persons, meanwhile, the transaction amount is no more than New Taiwan Currency of 500 million.</p> <p>(5) The real estate is acquired by means of entrusted construction on own land, entrusted construction on rented land, co-construct with separated rooms, co-construct with divided shares, co-construct with separated selling, and the estimated input transaction amount is no more than New Taiwan Currency of 500 million.</p> <p>The transaction amount of preceding paragraph is calculated according to the following way:</p> <ol style="list-style-type: none"> <li>1.The amount of each transaction.</li> <li>2.The accumulated transaction amount of the same nature acquired or disposed with the same offeree within one year.</li> <li>3.The accumulated transaction amount acquired or disposed (the acquirement and disposition are accumulated respectively) of the same development plan real estate Or its right to use assets within one year.</li> <li>4.The accumulated transaction amount acquired or disposed (the acquirement and disposition are accumulated respectively) of the same negotiable securities within one year. The “within one year” referred in the preceding paragraph means the time that trace and calculate forth for one year by taking this transaction’s occurrence date of facts as the baseline. According to the criterion stipulation, the announcement part is avoided to be included.</li> </ol> <p>According to the prescribed form, the company shall monthly input the derivative commodity transaction conditions of the company and the subsidiary corporation of public issued corporations without belonging to China up to the end of last month, to</p>	<p>(5) The real estate is acquired by means of entrusted construction on own land, entrusted construction on rented land, co-construct with separated rooms, co-construct with divided shares, co-construct with separated selling, and the estimated input transaction amount is no more than New Taiwan Currency of 500 million.</p> <p>The transaction amount of preceding paragraph is calculated according to the following way:</p> <ol style="list-style-type: none"> <li>1.The amount of each transaction.</li> <li>2.The accumulated transaction amount of the same nature acquired or disposed with the same offeree within one year.</li> <li>3.The accumulated transaction amount acquired or disposed (the acquirement and disposition are accumulated respectively) of the same development plan real estate within one year.</li> <li>4.The accumulated transaction amount acquired or disposed (the acquirement and disposition are accumulated respectively) of the same negotiable securities within one year. The “within one year” referred in the preceding paragraph means the time that trace and calculate forth for one year by taking this transaction’s occurrence date of facts as the baseline. According to the criterion stipulation, the announcement part is avoided to be included.</li> </ol> <p>According to the prescribed form, the company shall monthly input the derivative commodity transaction conditions of the company and the subsidiary corporation of public issued corporations without belonging to China up to the end of last month, to the information return internet of Financial Supervisory Commission in 10 days before every month.</p> <p>When announcing, if there are mistakes or omissions in the announcement project which shall be announced by the company according to the stipulation, and these mistakes or omissions need to</p>	<p>trust business and futures trust business are regulated by the financial management committee, and purchase or buy back</p> <p>The fund raised by the fund (excluding the offshore fund) is also a recurring act of investing as a professional. It is amended to relax the announcement of the exemption from the opening of the securities before the sale and the higher the risk of the subordinated bonds. A general financial bond that does not involve equity, does not include a secondary order bond, and is amended to the second item of the first paragraph of the sixth paragraph, so it is revised in accordance with the competent authority.</p> <p>5. The third paragraph of the first paragraph shall be modified as a word.</p>

Clause	Clause after Amendment	Clause before Amendment	Remarks
	<p>the information return internet of Financial Supervisory Commission in 10 days before every month. When announcing, if there are mistakes or omissions in the announcement project which shall be announced by the company according to the stipulation, and these mistakes or omissions need to be supplemented and corrected, then the whole project shall be announced and declared again. As acquiring or disposing assets, the company shall prepare relevant contract, journal, memorandum book, appraisal report, accountant, lawyer or finder's opinion book in the company, and except for other conditions stipulated by the law, these materials shall be kept for at least five years.</p>	<p>be supplemented and corrected, then the whole project shall be announced and declared again. As acquiring or disposing assets, the company shall prepare relevant contract, journal, memorandum book, appraisal report, accountant, lawyer or finder's opinion book in the company, and except for other conditions stipulated by the law, these materials shall be kept for at least five years.</p>	
Article 30	<p>If the subsidiary corporation of the company which is not belonged to the public issued company in China, acquires or disposes assets, and shall announce its declaration conditions according to Chapter 6 stipulation, the company shall do it. The subsidiary corporation in the preceding paragraph is suitable for Section 1 of Article 28 of the announced declaration standard about reaching, and taking the company's paid-in capital or total assets as the criterion. The stipulation of 10% of total assets in the procedure shall be calculated according to the total assets amount of the most recent individual or special financial report stipulated in securities issuers' Financial Reports Statements criterion.</p>	<p>If the subsidiary corporation of the company which is not belonged to the public issued company in China, acquires or disposes assets, and shall announce its declaration conditions according to Chapter 6 stipulation, the company shall do it. The subsidiary corporation in the preceding paragraph is suitable for Section 1 of Article 28 of the announced declaration standard about reaching 20% of paid-in capital or 10% of total assets, and taking the company's paid-in capital or total assets as the criterion. The stipulation of 10% of total assets in the procedure shall be calculated according to the total assets amount of the most recent individual or special financial report stipulated in securities issuers' Financial Reports Statements criterion.</p>	Text modification.

## Appendix 1

### **Union Bank of Taiwan Shareholders Meeting Procedure Rules**

Approved by founders meeting on 10 December 1991

Amendment approved by shareholders meeting on 20 April 1998

Amendment approved by shareholders meeting on 23 April 2010

Amendment approved by shareholders meeting on 22 June 2012

Amendment approved by shareholders meeting on 26 June 2015

1. To establish a strong governance system and sound supervisory capabilities for this Bank's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. The rules of procedures for this Bank's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
3. Unless otherwise provided by law or regulation, this Bank's shareholders meetings shall be convened by the board of directors.

This Bank shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a Preferred shareholders meeting. This Bank shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the Preferred shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Bank shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Bank and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Bank a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Bank shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, this Bank shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

4. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Bank and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Bank before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to this Bank, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Bank before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

5. The venue for a shareholders meeting shall be the premises of this Bank, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

6. This Bank shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

This Bank shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

This Bank shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished. Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Bank may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

7. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on



leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

This Bank may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

8. This Bank shall make an audio and video recording of the proceedings of the shareholders meeting. The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

9. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

10. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set

by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

12. Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Bank, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by

two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

13. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares.

When this Bank holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Bank before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Bank, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Bank's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Bank.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

14. The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Bank, and the voting results shall be announced on-site immediately, including the names

of those elected as directors and supervisors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

15. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

This Bank may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Bank.

16. On the day of a shareholders meeting, this Bank shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, this Bank shall upload the content of such resolution to the MOPS within the prescribed time period.

17. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Bank, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

18. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

19. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

# Union Bank of Taiwan

## Articles of Association

### Chapter 1 General

- Article 1. The Bank is organized in accordance with the Company Act and the Banking Act and is named Union Bank of Taiwan.
- Article 2. The Bank is headquartered in Taipei City and may, as required for business, set up branches or offices in proper domestic and overseas locations. The establishment, cancellation or change of any such branch or office shall be subject to board resolution and approval by the competent authority.
- Article 3. The Bank makes public announcements in daily newspapers circulated in the place where the Bank is locate.

### Chapter 2 Shares

- Article 4. The Bank's total capital is NT\$45 Billion, divided into 4500,000,000 shares, at NT\$10 per share. The shares are divided into ordinary shares and Preferred shares and are issued through several issuances. For shares already issued under the previous paragraph, the securities custodian organization may ask for merger and exchange for securities of large face value.
- Article 5. All of the Bank's shares are registered shares and shall be issued after the signatures or seals of the Chairman and two or more managing directors are affixed and following certification in accordance with the law. The Bank is not obliged to print share certificates for registered shares it issues. However, the shares shall be registered or kept by a securities custodian organization.
- Article5-1 The rights & obligations of Preferred share and other important issuance conditions of the Bank shall be as follows:
1. If there is a surplus in the Bank's annual statement, in addition to paying income tax in accordance with the law, after making up the annual losses of previous years, setting the statutory surplus reserve and setting or recovering the Preferred surplus reserve in accordance with the provisions of Article 39 of the Articles of Association, the balance shall be hereto given priority to the allocation of dividends on Preferred shares in the current year.
  2. The upper limit of dividends on Preferred shares shall be up to 8% of the annual rate, which can be calculated according to the issue price per share; the dividends may be paid in one lump sum in cash each year; after the financial report has been accepted by the board of directors at the annual regular meeting of stockholders, the dividends payable over the previous year will be paid at the base date as set out by the board of directors. The dividends of issuance year and recovery year can be calculated according to the actual number of days of issuance in the current year.
  3. The Bank shall distribute the dividends on Preferred shares at its discretion. If the dividends are distributed due to the absence of surplus or non-surplus in the Bank's annual final accounts, or if the

distribution of dividends on Preferred shares will result in the Bank's capital adequacy ratio below the minimum requirements as stipulated in the Decree or by the Competent Authority, or based on any other necessary considerations, the Bank must make resolutions on non-distribution of dividends on Preferred shares; the Preferred shareholders shall not raise objection to such resolutions; the non-distributed or distributed under-dividends shall not be accumulated in deferred payment from the surplus in subsequent years.

4. Apart from receiving the dividends as stated in Paragraph 2 of this Item, the Preferred shareholders shall not participate in the distribution of surplus and capital reserve in cash and appropriation of capital on ordinary shares.
5. The order of distributing the Bank's residual properties to the Preferred shareholders takes precedence over the ordinary shareholders, and is the same as the order of compensating the shareholders holding the Preferred shares issued by the Bank, whichever is next to the order of compensating the general creditors, but limited to the issue amount.
6. The Preferred shareholders have no voting rights and rights of election, but have the right to vote at the Preferred Shareholders meeting or the Shareholders meeting involved in the rights and obligations of Preferred shareholders.
7. The Preferred share shall not be converted into the ordinary share. Also, the Preferred shareholders shall not request the Bank to recover the rights of Preferred shares held by such Preferred shareholders.
8. The Preferred shares refer to the undated shares which may be recovered by the Bank in whole or in part as per the original actual issuing price at any time from the next day after the expiry of five-year term of issuance. The non-recovered Preferred shares will still have rights and obligations as set out in the issuance conditions of this Article. In the same year in which the Preferred shares are recovered, if a resolution on payment of dividends is made at the Shareholder meeting of the Bank, as of the recovery date, the dividends will be paid, which can be calculated according to the actual number of days issuance in the same year.

The board of directors shall be authorized to determine the name, issuing date and specific issuance conditions of Preferred share in respect of the capital market conditions and the subscription willingness of investors in accordance with the provisions of Articles of Association of the Bank and other relevant laws & regulations.

Article 6. The Bank's share dividend of ordinary share is 6% per year. However, no dividend shall

be distributed unless there is profit.

Article 7. If any share of the Bank is held by the same person or the same affiliate individually or in a joint or combined manner, a filing or application for approval shall be made in accordance with the Banking Act. If no filing or application for approval is made as stipulated, the exceeding portion shall not be entitled to voting rights and the competent authority shall

order disposal before a deadline.

Any matter that is not stipulated under the previous paragraph shall be handled in accordance with the applicable laws of the competent authority.

Article 8. The Bank's shareholder service shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.

Article 9. Registration for share transfer shall be suspended during a period of 60 days before a

general shareholders meeting, 30 days before a Preferred shareholders meeting and 5

days before the record date for distribution of dividend or bonus.

The periods under the previous paragraph shall start from the date of the meeting or the record date.

### **Chapter 3 Business**

Article 10. The Bank operates the following business:

H101021 Commercial banking business, H601011 Personal insurance agent, H601021 Property insurance agent

1. Commercial banking business。
2. Personal insurance agent business
3. Property insurance agent business
4. The other related business that issued by authority.

### **Chapter 4 Shareholders Meeting**

Article 11. The Bank's shareholder meetings are divided into general meetings and Preferred

meetings. General meetings are held once every year within 6 months from the end of the accounting year. Preferred meetings are held in accordance with the law as required. To convene a general shareholders meeting, a notice shall be given to each shareholder 30 days in advance. To convene a Preferred shareholders meeting, a notice shall be given to each shareholder 15 days in advance. For shareholders holding less than 1,000 shares, the above notices may be given by public announcements. The notice and public announcement shall specify the reason for convening the meeting. With the consent of the recipient, the notice may be given electronically. When necessary, the Preferred Shareholders meeting shall be held in accordance with the provisions of relevant laws & regulations.

Article 12. Any shareholder of the Bank that cannot attend a shareholders meeting for any reason may issue a proxy printed by the Bank, specifying the scope of authorization and designating a representative to attend the shareholders meeting. The Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies shall also be applicable.

Article 13. The chairman shall chair shareholder meetings. If the chairman cannot attend the meeting for any reason, the chairman shall designate one managing director to chair the meeting. If the chairman does not make such designation, the managing directors shall appoint one person from among themselves.

If the meeting is convened by any other person entitled to convene the meeting other than the board of directors, such person entitled to convene the meeting shall chair the meeting. If the meeting is convened by two or more persons entitled to convene the meeting, one person shall be elected to chair the meeting.

Article 14. Other than the shares with no voting rights under Article 179 of the Company Act, each shareholder of the Bank is entitled to one voting right per share.

Article 15. The shareholders meeting shall resolve and execute the following matters:

- (1) Establishment and amendment of these articles of association of the Bank.
- (2) Resolution about capital increase or decrease.
- (3) Election of directors.
- (4) Audit and approval of the statements prepared by the board of directors and audit report by the audit committee. To audit the statements and report, the shareholders meeting may select auditors.
- (5) Resolution to distribute profit, dividend and bonus.
- (6) Other resolutions in accordance with the Company Act.

Article 16. Unless otherwise provided by law, shareholder resolutions shall be approved by the shareholders representing the majority of voting rights represented in a meeting that is attended by shareholders representing the majority of all outstanding shares.

If the attending shareholder does not constitute the number required under the previous paragraph and if the meeting is attended by shareholders representing 1/3 or more of all outstanding shares, the attending shareholders may reach a provisional resolution by the majority of voting rights. The provisions resolution shall be provided to each shareholder and a shareholders meeting may be convened again within one month.

In the shareholders meeting under the previous paragraph and in relation to the provisions resolution, if the meeting is attended by shareholders representing 1/3 or more of all outstanding shares, an approval by the shareholders representing the majority of voting rights shall be deemed a resolution under the first paragraph.

Article 17. Shareholder resolutions shall be recorded in minutes, which shall be affixed with the signature or seal of the chairman and distributed to all shareholders within 20 days from the meeting. The minutes may be prepared in an electronic manner.

The distribution of the minutes under the previous paragraph may be made through public announcement.

The minutes shall record the year, month, date and location of the meeting, the name of the chairman, the method of resolution, the main proceedings and results of the meeting and shall be maintained together with the signature sheets showing attending shareholders and proxies.

### **Chapter 5 Board of Directors**

Article 18. The Bank has 9 to 15 directors, who constitute the board of directors.



Directors serve terms of three years, are subject to the system of candidate nomination. Upon expiry, the same person may be re-elected. The directors shall be elected by the shareholders meeting from a list of director candidates. However, the election criteria established by the competent authority shall apply. The board of directors is authorized to establish and adopt the election rules following approval by the shareholders meeting.

Article 18-1 Among the directors of the bank, at least 3 and no more than 1/5 shall be independent directors, to be elected by the shareholders from a list of independent director candidates under the system of candidate nomination.

The professional qualifications, shareholding, restriction on other positions, nomination and election method and other compliance matters in relation to independent directors shall be in accordance with the applicable regulations of the competent authority.

An audit committee of the Bank is put in place starting from the 9th term of the board of directors. The audit committee shall be composed of all independent directors. There shall be not less than 3 members, among which 1 shall serve as the chairman and at least 1 person shall possess accounting or finance specialty. The duties, organizational charter, exercise of duties and other compliance matters of the audit committee shall be in accordance with the applicable laws and company charters.

Article 19. When there is a vacancy of 1/3 or more in the number of directors, a Preferred shareholders meeting shall be convened within 60 day for re-election. The term of the re-elected persons shall be the same as the original term.

Article 20. 3-5 managing directors shall be elected from among directors and by the majority of directors attending a meeting that is attended by 2/3 or more directors. One chairman shall be elected from among the managing directors and by the majority of managing directors attending a meeting that is attended by 2/3 or more managing directors. The chairman represents the Bank.

There shall be at least one independent director among the managing directors. At least 1/5 of the managing directors shall be independent directors.

Article 21. The board of directors is authorized to pay remuneration of the chairman, managing directors and directors based on the industry standard, regardless of whether there is profit.

Article 22. The duties of the board of directors are as follows:

- (1) Review and determination of main charters.
- (2) Review and determination of important business and the planning thereof.
- (3) Determination of capital increase or decrease.
- (4) Decision to set up, cancel or change any department of the Bank.
- (5) Review and determination important contracts.
- (6) Establishment of budget and closing.
- (7) Decision about real property transactions.

- (8) Preparation of profit distribution proposal.
- (9) Review and determination of hiring and dismissal of managers and main staff.
- (10) Matters to be determined as instructed by the chairman.
- (11) Other duties granted by law or shareholders meeting.

Article 23. Board meetings shall be held at least once every quarter. In case of emergency or pursuant to the request by the majority of directors, special meetings may be held. Unless otherwise provided by law, meetings shall be convened by the chairman.

To convene a board meeting, notice shall be sent to all directors in writing, by email or by fax. If the chairman cannot attend the meeting due to any reason, the chairman shall designate one managing director. If no designation is made, the managing directors shall elect one person from among themselves to perform the chairman's duty.

Article 24. Any director that cannot attend a board meeting due to any reason may designate another director as his representative to attend the meeting. However, for each representation, a proxy shall be issued, specifying the scope of authorization for the agenda of the meeting. Each director shall represent no more than one other director in accordance with the above proxy. If a board meeting is held in video conference, the directors participating in the meeting through video conference shall be deemed to have attended the meeting in person.

Article 25. Unless otherwise provided by law, board resolutions shall be approved by the majority of directors attending a meeting that is attended by the majority of all directors.

If a director has any interest in any matter in the meeting, a statement shall be provided in the meeting about the main aspects of such interest.

Article 26. Board proceedings shall be recorded in minutes, which shall be affixed with the signature or seal of the chairman and distributed to all directors within 20 days from the meeting. The minutes shall record the year, month, date and location of the meeting, the name of the chairman, the method of resolution, the main proceedings and results of the meeting and shall be maintained together with the signature sheet showing attending directors and proxies.

The minutes may be prepared, distributed and maintained in electronic manners.

Article 27. The president and vice president shall be asked to participate in board meetings. However, such participants shall have no voting rights.

Article 28. During recess of the board of directors, the managing directors shall perform the duties of the board of directors regularly through meetings based on the division of responsibilities in accordance with the law, these articles of association, shareholder resolutions and director resolutions (except for matters involving significant interest to the Bank).

Article 29. The chairman may convene and chair meetings of the managing directors at any time. If the chairman cannot attend the meeting, the chairman shall designate one managing director. If there is no such designation, the managing directors shall appoint one person from among themselves.

- Article 30. Unless otherwise provided by law, resolutions of the meetings of managing directors shall be approved by the majority of managing directors attending a meeting that is attended by the majority of all managing directors. The minutes shall be affixed with the signature or seal of the chairman.
- Article 31. The president and vice president shall be asked to participate in meetings of the managing directors. However, such participants shall have no voting rights.
- Article 32. The Bank has an audit department that reports to the board of directors and is directed by the chief auditor. The audit department handles audit activities in an independent and impartial manner. The position is the same level as the vice president. The auditors shall not perform any other duty that is in conflict with or that interferes with the audit work.
- Article 33. The hiring, dismissal or relocation of the chief auditor shall be approved by the board of directors through 2/3 or more of the directors and shall be subject to the approval of the competent authority.  
To seek sound decision-making functions and reinforced management mechanism, the Bank may put in place an audit committee, remuneration committee and other functional committees in consideration of the size of the board of directors and the number of independent directors.  
The exercise of duties by the functional committees and other compliance matters shall be in accordance with applicable laws and company charters.

### **Chapter 6 Managers**

- Article 34. The Bank has one president, responsible for managing the activities of the Bank pursuant to board resolutions. There are also several vice presidents, assistance managers, managers and deputy managers, who assist the president in the handling of the activities of the Bank. The hiring, dismissal and remuneration of the president, vice presidents, assistant managers, managers and deputy managers shall be subject to the approval by the board of directors through approval by the majority of all directors.
- Article 35. If the president cannot perform his duties due to any reason, the chairman shall designate one person from among the vice presidents to perform his duties.
- Article 36. If required by the business, the president may ask the chairman to hire accountants as accounting advisors, lawyers as legal advisors or persons knowledgeable about the industry as advisors to the Bank.

### **Chapter 7 Accounting**

- Article 37. The Bank's accounting year starts from 1 January of each year and ends on 1 December of the same year. Upon completion of each accounting year, the following statements shall be prepared, reviewed by the board of directors and sent to the audit committee or the accountant hired by the audit committee for audit 30 days before the general shareholders meeting. Then the statements shall be submitted to the general shareholders meeting for approval. Within 15 days from approval by the general shareholders meeting, the statements shall be submitted to the central competent authority and central bank for reference. The

balance sheet shall be published.

- (1) Business report.
- (2) Financial statements.
- (3) Profit distribution or loss compensation proposal.

Article 38. If the Bank has profit at year-end closing, the board of directors shall, in consideration of the operating performance of the current year, provide employee remuneration and director remuneration in the following manner:

- (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.
- (2) Director Remuneration: No more than 0.1% of the profit. 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.

Article 39. 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 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.

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 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; before the level reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of total capital.

Article 40. When the legal reserve provided has reached the capital amount, no provision needs to be made for the current period.

### **Chapter 8 Miscellaneous**

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 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 43. 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 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. The twenty-first amendment was made on 8 June 2016. The twenty-second amendment was made on 20 June 2017.

## Appendix3

### **Asset Acquisition or Disposition Procedure of Union Bank of Taiwan**

Approved by Shareholders meeting on May 27, 2003

Approved by Shareholders meeting on June 15, 2007

Approved by Shareholders meeting on June 22, 2012

Approved by Shareholders meeting on June 6, 2014

Approved by Shareholders meeting on June 20, 2017

## **Chapter 1 General Provisions**

Article 1. The dispose on assets acquired or disposed by the company, shall be disposed according to Dispose Criterion that Public Company Acquire or Dispose Assets (hereinafter referred to as this criterion) issued by this dispose process and Financial Supervisory Commission (hereinafter referred to as FSM).

Article 2. The application scope of assets referred by this process procedure is as follows:

1. Stocks, bonds, corporate bonds, financial bonds, negotiable securities of recognition fund, depository receipt, subscribe (sell) authority certificate, beneficial securities, asset backed securities and other investment.
2. Real estate (including land, house, building, investment real estate, land usage right) and equipment.
3. Member card
4. Patent right, copyright, trademark right, chartered right and other intangible assets.
5. Obligatory right of financing institution (including receivables, buy send discount, loan and overdue receivables).
6. Derivative securities.
7. Assets acquired or disposed according to legal merger, split, acquisition or shares transferee.
8. Other important assets.

Article 3. Definitions of words in this process procedure are as follows:

1. Derivative securities: it means the forward contract, option contract, future Contract, leverage contract, commutative contract with the value derived by assets, interest rates, exchange rates, indexes or other benefits and commodities, and the compound contract formed by the grouping of commodities above. The referred forward contract not includes insurance contract, performance contract, after-sales service contract, long-term lease contract and long-time purchasing (selling) goods contract.
2. Assets acquired or disposed by legal merger, split, acquisition or shares transferee: it means the assets acquired or disposed by merger, split or acquisition according to enterprise acquisition law,

financial holding company law, financial institution merger law or other laws, or issuing new stock and transferee the stock of company (hereinafter referred to as stock transferee) according to regulations in Item 8 of 156 Article of Company Law.

3. Related persons, sub-company: shall identify according to the rule regulation of financial reports of securities issuers.
4. Professional valuer: real estate valuer or other person working on real estate and equipment valuation service according to law.
5. Event occurrence date: it means the dates as former such as trading contract date, payment date, entrust transaction date, transfer date, resolution date of board of directors, or date of other information determining transaction object and transaction amount. As for the investor that need to be approved by competent authorities, take the date as former or date of receiving approval of competent authorities as the criterion.
6. Mainland investment: it means the mainland investment according to investment of Investment Commission of Ministry of Economic or technology cooperation licensing regulation in mainland.

## **Chapter 2 Asset Acquisition or Disposition**

Article 4. The assets acquired or disposed by the company in the scope of Article 2, except for other evaluation or operation procedures, the rest shall depend on the regulations of this process procedure, all the handling ministries or offices propose the assessment methods, operating procedures and other data, submit board of directors for authorizing after approval, during adjournment of board of directors, executive board of directors approves and report to board of directors for future reference. The items should be record in the preceding item assessment and operation procedure are as follows:

1. Assessment procedure: including price decision method, reference bases, etc.
2. Operation procedure: including authorization amount, level, execution unit, transaction process, etc.

As for the real estate acquired by the company not for business application, the total and limit amount shall be handled according to bank law and related regulations.

As for the total amount of negotiable securities or limit amount of individual negotiable securities of the company, they shall be handled according to The Bank Investment Policy and related regulations.

As for working on transaction of related persons, transaction of derivative commodities, conducting enterprise merger, split, acquisition or shares transferee, which shall not only conform to the regulations from Chapter 3 to Chapter 5 in this disposal procedure, but also be handled according to the related operation regulation.

The company shall urge sub-company to set and execute to acquire or dispose assets disposal procedure according to regulation of the criterion, then control and manage the acquisition or disposition of company assets according to Supervision Control Operation

Criterion of the Bank on Sub-company.

Article 5.

. If the company obtains or disposes of the assets, it shall be approved by the board of directors in accordance with the procedures or other provisions. If any directors express objection and have a record or written statement, the directors' objection information shall be sent to the audit committee. In the event that the acquisition or disposal of an asset transaction is reported to the board of directors for discussion in accordance with the provisions of the preceding paragraph, the opinions of each independent director shall be fully considered. If the independent director has objections or reservations, it shall be stated in the proceedings of the board of directors. Major assets or derivatives transactions shall be approved by more than one-half of all members of the Audit Committee, and resolutions of the Board of Directors shall be adopted, and Article 32, paragraphs 3 and 4 shall apply.

Article 6. As for the real estate or equipment acquired or disposed by the company, except for equipment for trading with governmental agencies, self-land entrust construction, rented land entrust construction, or acquisition or disposition for business application, when the transaction amount reaching to 20% of paid-in capital of company or more than NTD\$ 300 million, shall acquire the valuation report issued by professional valuer before the event occurrence date, and shall conform the following regulations:

1. Due to special reasons, the limited price, or specific price, or special price shall be set as the reference bases of transaction price, the transaction shall firstly submit to board of directors for resolution approval, if the transaction conditions are changed in the future, it shall also be handled according to the procedures above.

2. As for transaction amount of reaching to 1 billion NTD, shall ask more than two professional valuers to make price valuation.

3. If there is one of the following situations in the price valuation results of professional valuers, except for the valuation result of acquired assets higher than the transaction amount, or valuation result of assets disposal lower than transaction amount, shall ask accountant to handle according to No. 20 regulation of auditing criterion issued in Accounting Research and Development Foundation (hereinafter referred to as Accounting Research and Development Foundation), and express the detailed opinions for the suitability of difference reason and transaction price.

(1). Difference between valuation result and transaction amount reaching to more than 20% of transaction amount.



(2).ifference between valuation results of more than two professional valuers reaching to more than 10% of transaction amount.

4.Date of report issued by the professional valuator and contractual establishment date shall not exceed three months. But if apply to the same issue of current value and no more than six months, the original professional valuator shall issue position paper.

Article 7. When the company acquires or disposes negotiable securities, shall take the financial statement which has been checked or reviewed by the accountant recently as the reference of evaluation transaction price before fact happens, if the transaction amount reaches to twenty percent of the paid-in capital or exceeds NTD three hundred million, shall consult and invite accountant to express opinion on the reasonability of transaction price before fact happens, if accountant needs to adopt expert report, shall follow the No. 20 Provision of auditing standards statement that issued by Accounting Research and Development Foundation to deal with. However there is public offer of active market on the negotiable securities or other regulations of Financial Supervisory Commission, which shall not subject to the limits.

Article 8. The company acquires or disposes membership card or intangible assets transaction amount reaches to twenty percent of the paid-in capital or exceeds NTD three hundred million, except for transacting with government agencies, shall consult accountant to express opinion on the reasonability of transaction price before fact happens, meanwhile shall follow the No. 20 Provision of auditing standards statement that issued by Accounting Research and Development Foundation to deal with.

Article 8-1. Transaction amount calculation of the first three articles shall follow the Section 2 regulations of Article 28 to deal with, meanwhile the referred within 1 year means shall take the occurrence date of the transaction fact as standard, retrospect and calculate from one year before, the valuation report that issued by professional valuator or accountant opinion part are exempted from calculation according to the regulations of this criterion.

Article 9. The company acquired valuation report or the position paper of accountant, lawyer, or securities underwriters, the professional valuator, the valuer, accountant, lawyer, or securities underwriters shall not be the related persons of traded parties.

Article 10. The company acquires or disposes assets through auction procedures, shall replace the evaluation report or accountant opinion with the documentation that issued by the court.

### **Chapter 3 Related Persons Transaction**

Article 11. The company and related persons acquire or dispose the asset, except for handling the related resolution procedures, evaluating the rationality of transaction conditions, etc., transaction amount reaches to over ten percentage of the company's total assets, also

shall follow the valuation report that issued by professional valuator or accountant opinion

Shall handle transaction amount calculation of the preceding item according to the regulation of Article 8-1.

When the company determines whether transaction object is the related persons, in addition to pay attention to its legal form, also shall consider the real relationship.

Article 12. If the Company has acquired or disposed of the immovable property or other assets (other than immovable property) from or with the related persons, and the transaction amount has reached 20% of the Company's paid-in capital, 10% of the total assets or NTD\$ 300 million or more, apart from buying and selling the government bonds, conditionally buying back and selling back the bonds, subscribing or redeeming the domestic money market funds, the following information should be submitted to the board of directors for approval and the Supervisor for recognition before signing the transaction contract and paying a sum of money:

1. Purpose, necessity and expected benefits of acquiring or disposing of assets;
2. Reasons for selecting the related persons as the transaction objects;
3. Information on acquiring the real estate from the related persons and evaluating the rationality of predetermined transaction conditions in accordance with the provisions of Article 13 and 14.
4. Original date of acquiring the real estate from the related persons and price, transaction object and its relationship with the Company and related persons and other matters;
5. Information on predicting the forecasted statement of cash receipts and payments in months of the coming year after signing the contract as well as evaluating the necessity of transaction and the rationality of application of funds;
6. Valuation report issued by the professional valuer and obtained in accordance with the provisions of the preceding article or comments made by the accountant;
7. Restrictions on this transaction and other important matters.

The amount of transaction as stated in the preceding paragraph shall be calculated in accordance with the provisions of Paragraph 2 of Article 28. The so-called "one year" refers to the previous year calculated retroactively based on the date of actual occurrence of transaction as the base date. It is not required for further calculating the part submitted to the board of directors for approval and the Supervisor for recognition in accordance with the provisions of such Standards..

The board of directors shall authorize the Chairman of the board to decide whether to acquire or dispose of the equipment for use in the business between the Company and the parent company or between the subsidiary companies within a certain sum of money in advance in accordance with the provisions of Subparagraph 2, Paragraph 1, Article 4, and then submit the latest report to the board of directors for retroactive recognition after the event.

When submitting to the board of directors for discussion in accordance

with the provisions of preceding paragraph, the Company shall give full consideration to the opinions raised by the independent directors. The objections or reservations (if any) proposed by the independent directors shall be set out in the minutes of proceedings of the board of directors.

If the first item is not approved by more than one-half of all members of the Audit Committee, the provisions of Article 32, paragraphs 3 and 4 shall apply.

Article 13. The company obtains the real estate from related persons, shall evaluate the rationality of transaction cost according to the following methods:

1. According to the related persons transaction price plus necessary funds interest and the cost the company shall undertake according to law. The referred necessary funds interest cost, shall take the weighted average interest rate of the annual borrowed amount of the company purchased the assets as the standard to calculate, but shall not be higher than the highest borrowing rates of non-financial industry that announced by the Ministry of Finance.

2. If related persons once use this contract object to set a mortgage from financial institutions, financial institutions evaluate the gross loan of this contract object, only when the actual loan aggregate-value reaches to more than 70% of gross loan evaluation meanwhile loan period has exceeded 1 year. But if the financial institution or any of transaction parties are related persons of each other, under such circumstance, shall not apply.

Combination purchase of the land and building of same contract object, shall evaluate the transaction cost of land and building according to any method the preceding section lists.

Evaluation of the real estate costs according to regulations of the Section 1 and Section 2, shall consult and invite accountant to review and express specific opinion.

The company acquires real estate from the related persons, any of the following circumstances, shall handle in accordance with the regulations of Article 12, not applicable to the regulations of preceding three sections:

1. The related person's acquisition of real estate because of inheritance or donation.

2. For more than 5 years already since the time when related persons contracting and acquiring real estate to the contracting date of this transaction.

3. Acquisition of real estate because of signing co-construction contract with related persons, or acquisition of real estate because of self-land entrust construction, rented land entrust construction, and entrust related persons for construction of real estate.

Article 14. Compared with transaction price, the company evaluates the result low according to the regulations of preceding first section and second section, shall handle according to the Article 15. But because of the following circumstances, meanwhile for which put forwards

objective evidence and acquires the specific and rational opinion of real estate professional evaluator, shall not subject to the limits.

1. Related persons are the people who acquire raw land or rented land and then construct, meanwhile meet one of the followed conditions:

(1) Raw land evaluation according to the method of preceding article, as for building, according to construction cost plus reasonable construction profit, the total exceeds actual transaction price. The referred reasonable construction profit shall take the lower gross margin between the average operating margin of related persons' construction department in the past three years or gross margin of construction industry in recent period that published by Ministry of Finance as standard.

(2) Other floors of a same contract object real estate or other non-related persons' successful transaction case in nearby district within 1 year, area is similar, meanwhile the transaction condition is equivalent after evaluated according to reasonable floor and district difference in price of real estate business practices.

(3) Other non-related persons' rental case of other floors of a same contract object real estate within 1 year, the transaction condition is equivalent, after estimated according to reasonable floor difference in price of real estate rental practices.

2. Purchase of real estate from related persons, the transaction condition is equivalent to other non-related persons' successful transaction case in nearby district within 1 year, meanwhile area is similar.

As for the preceding referred nearby district or transaction case, take the case that in a same or nearby street meanwhile within 500 meters in circumference at a distance from transaction contract object, or the case which has similar announced land current value as principle; the referred similar area shall take the non-related persons other transaction case that area is no less than 50% of transaction contract object area as principle; the referred within 1 year means to based on the fact occurrence date of acquisition of real estate this time, retrospect and calculate one year.

Article 15. The company acquires real estate from related persons, if compared with transaction price, the evaluation result is low according to the regulations of Article 13 and Article 14, and the company shall handle the following matters:

I. The difference between the real estate transaction price and evaluation cost shall not be assigned or transferred as capital increase and allotment of shares according to special reserve that proposed and listed in the first section regulation of Article 41 of the Securities and Exchange Law. If the investor of the company investment equity method assessment is public company, also shall propose and list the special reserve on the proposed and listed amount according to shareholding ratio in accordance with the first section regulation of Article 41 of the Securities and Exchange Law.

II. Supervisor shall handle according to the Article 218 of Company

Law.

III. The first and second items handling cases should be proposed and reported to Shareholders meeting, transaction details are revealed in the annual report and prospectus.

Shall start use the special reserves that the company proposes and lists according to the preceding item after the high-priced purchased assets have been recognized as unrealized loss, disposal, appropriate compensation or restitution, or there is other evidence that confirmation of no unreasonable situation, and after agreed by the Financial Supervisory Commission.

If there is other evidence that there is improper regular business practice condition when the company acquires real estate transaction from related persons, shall handle according to the preceding 2 sections.

#### **Chapter 4. Engaged in Derivative Commodity transaction**

Article 16. When the company operates the transaction of derivative commodity, shall pay attention to the following important risk management and control of audit matters:

1. transaction principles and policies: shall include the type of engaged in derivative commodity transaction, operation, hedge strategy, division of authority and responsibility, performance assessment essentials and transaction contract amount of engaged in derivative commodity transaction, as well as the loss ceiling amount of total and some individual contracts, etc.

2. Risk management measure

3. Internal check system

4. Periodic evaluation method and exception condition handling.

Article 17. When the company operates the transaction of derivative commodity, shall implement the following risk management measures:

1. Risk management scope shall include credit, market price, liquidity, cash flow, operation, legal and other risk managements.

2. Transaction personnel who engaged in derivative commodity transaction and the person who engaged in confirmation and delivery, etc shall not concurrently hold the position of each other.

3. Risk measure, monitor and control personnel shall belong to different departments with the personnel of preceding item, meanwhile shall report to the board of directors or the high-ranking managers who are irresponsible for transaction or parts of the decision making responsibility.

4. The derivative commodity transaction holding parts shall be assessed at least once a week, but as for the safe-haven transaction as business required shall be assessed at least twice one month, the assessment report shall be submitted to the high-ranking managers who authorized by the board of directors.

5. Other important risk management measures.

Article 18 When the company operate the transaction of derivative commodity, board of directors shall implement supervision and administration according to the following policies:

1. Assign high-ranking managers to pay attention to the supervision and control of transaction risk of derivative commodity at any time.
2. Regularly assess whether the performance of transaction of derivative commodity conforms to the set operation strategy and whether the undertaken risk is under the allowed scope of the company.

High-ranking managers authorized by board of directors shall manage transaction of derivative commodity according to the following policies:

1. Regularly assess whether the current applied risk management measure is suitable and dispose according to transaction disposal procedure of derivative commodity set by the criterion and the company.
2. Supervise transaction, profit and loss situation, when finding abnormal situation, shall conduct necessary response measures, and report to board of directors immediately, independent director of board of directors shall attend and express opinions. When the company operate the transaction of derivative commodity, and authorizes the related personnel to dispose according to disposal procedure regulation of operating transaction of derivative commodity, shall propose and report to the latest board of directors after then.

Article 19. The company works on derivatives commodity transaction, and it shall establish the memorandum book, to publish details on derivatives transaction types, amount of money, passing date of board of directors, and matters that shall be carefully evaluated according to Item 4 of Article 17, Item 2 of Section 1 and Item 1 of Section 2 of Article 18, for future reference.

The internal auditors of the company shall understand the internal controls propriety of derivatives transaction at fixed period, and take monthly examination on the abidance condition of derivatives transaction disposal procedure by the transaction sector, then make an audit report. If the auditors discover some illegal matters, they shall inform The Audit Committee in written form.

## **Chapter 5 Merger, Split, Acquisition or Shares Transferee**

Article 20. As handling merger, split, acquisition or shares transferee, the company shall invite and appoint the accountant, lawyer or securities underwriter to present their opinions on the rationality of exchange ratio, purchasing price or allocating cash or other assets for shareholders, before holding the resolution of board of directors. However, the merger of a subsidiary of the Company that directly or indirectly holds 100% of the issued

shares or capital, or a subsidiary of the Company that directly or indirectly holds 100% of the issued shares or total capital, may be exempted from obtaining reasonable opinions from the former experts.

Article 21. The company shall participate in important agreement contents and related issues of merger, split or acquisition. Before starting the Shareholders meeting, the company shall make the public document for shareholders and give them to shareholders along with expert opinions of the preceding article and notice of Shareholders meeting, in order to take them as reference for agreement of the merger, division or acquisition case. However, the merger, division or acquisition matters that are allowed to avoid holding Shareholder meeting's resolution are not subject to this restriction.

If the Shareholders meeting held due to the preceding section regulation is unable to be held, resolved or the bill is voted down by the Shareholders meeting, just for the reasons that the attendance and the voting power are not enough or other legal restrictions, then companies that participate in the merger, division or acquisition shall openly explain occurrence reasons, the subsequent processing operation and the estimated holding date of the Shareholders meeting to the public at once.

Article 22. As participating in the merger, division or acquisition, except as otherwise stipulated by law, or reporting to Financial Supervisory Commission for agreement in advance on specific factors, the company shall hold board of directors and Shareholders meeting with all participating companies on the same day, to resolve related issues on merger, split or acquisition. As participating in the share transferee, except as otherwise stipulated by law, or reporting to Financial Supervisory Commission for agreement in advance on specific factors, the company shall hold board of directors with all participating companies on the same day.

The listing company participating in merger, split, acquisition or shares transferee or its stock traded in securities dealer's business premise, the company shall make the following materials into intact written record, and keep it for five years for examination.

1. Basic information of staff: include the professional title, name, ID number (the passport number of foreigners) of all staff that participate in merger, division, acquisition or share transfer plan, or the plan implementation staff before the news is opened to the public.

2. Date of important matter: include signing a letter of intent or memorandum, entrusting financial or legal advisor, signing the contract, board of directors and other dates.

3. The important documents and journals: include merger, division, acquisition or share transfer plan, letter of intent or memorandum, the important contract and board of directors' journals, or other documents.

The listing company participating in merger, split, acquisition or shares transferee or its stock traded in securities dealer's business premise, the company shall report data of Item 1 and Item 2 of the preceding paragraph to Financial Supervisory Commission for future reference through the internet information systems and according to the prescribed form, on the second day since the date of resolution passing.

If there are companies not belonging to the listing company or its stock traded in securities dealer's business premise among companies participating in merger, split, acquisition or shares transferee, the listing company or its stock traded in securities dealer's business premise shall sign an agreement with them, and transact it according to the stipulation of Section 3 and Section 4.

Article 23. The company shall acquire all people that participate in or know the company's merger, split, acquisition or shares transferee plan and make them issue the confidentiality agreement in written form that before the information is opened to the public, they are forbidden to reveal the plan content to the public, and trade stocks and other negotiable securities with ownership property from all companies that are related to merger, split, acquisition or shares transferee case, by themselves or by using the name of other person.

Article 24. As participating in merger, split, acquisition or shares transferee, the company is not allowed to change the conversion ratio or the procurement price at random, but the changer that conforms to the following conditions and is stipulated in the contract of merger, split, acquisition or shares transferee is not subject to this limit:

1. Dealing with increment of cash, issuing convertible bond, stock grants, issuing warrant bond, and preferred shares with warrants, subscription right voucher and other negotiable securities with the ownership property.
2. Behaviors that affect corporate finance, such as disposal of major assets and so on.
3. Happening things that affect corporate stockholder's equity or security price, such as major disasters, significant technical changes and so on.
4. The adjustment of legally repurchasing the treasury stock by any party of companies that participate in merger, split, acquisition or shares transferee.
5. There are increasing or decreasing changes happening on the main part or quantity that participate in merger, split, acquisition or shares transferee.
6. Other conditions that have been stipulated in the contract and been exposed to the public.

Article 25. If the company participates in merger, split, acquisition or shares transferee, the contract shall clearly state rights and obligations of all participant companies and the following matters:

1. Dealing with breach of contract.



2. The management principle of negotiable securities with the ownership property or the repurchased treasury stock that are wiped out because of merger or have been issued before the company is divided.
3. The quantity and management principle of the participant company's legal repurchasing of treasury stock, after the calculation conversion ratio base date.
4. The management means of increasing or decreasing changes of the main part or quantity.
5. The estimated plan implementation schedule and the estimated completed schedule.
6. When the plan is overdue and failed to be completed, hold the Shareholders meeting and discuss the scheduled opening date and other relevant disposal procedure, according to laws and decrees.

Article 26. when the company participates in merger, split, acquisition or shares transferee, if either party of the participant company plans to have merger, split, acquisition or shares transferee with other companies, after the information being opened to the public, then except the participant quantity reduces, and limits of authority resolved by Shareholders meeting's and authorized to board of directors, are avoided to hold Shareholders meeting's remade resolution. In the original case, the procedure or legal act that have been completed, shall be remade by all participant companies.

Article 27. if there are non-public issued companies among companies that participate in merger, split, acquisition or shares transferee, the company shall sign an agreement with them, and transact it according to the stipulation of Article 22, Article 23 and Article 26.

## **Chapter 6 Information Disclosure**

Article 28. As acquiring or disposing the assets, if the following situations happen, the company's sponsoring department shall transact the announcement declaration of relevant information through the website appointed by Financial Supervisory Commission from the second day since the date of things happening, according to assets properties and prescribed form of announcement of Financial Supervisory Commission.

1. Acquire or dispose the real estate from related persons, or acquire or dispose other assets except for the real estate with related persons with the transaction amount of reaching 20% of paid-in capital, 10% of total assets or over 300 million of New Taiwan Currency. However, buying and selling bonds or bonds attached with buying and selling conditions, and purchase or redemption of domestic money market funds are not subject to the limits.
2. Conduct the merger, split, acquisition or shares transferee.
3. The operated derivative commodity transaction losses reach the total amount of the regulated disposal procedure or the

upper limit of loss of specific contracts.

4. The types of assets acquired or disposed of are equipment for business use, and the transaction objects are not related parties, and the transaction amount is NT\$1 billion or more.

5. The real estate will be acquired by land commissioning, land lease commission construction, joint housing construction, joint construction, and joint construction. The estimated transaction amount is NT\$500 million.

6. Assets transaction, the company's disposal creditor's rights or the operational mainland region investment except for the first five items, with the transaction amount of reaching 20% of paid-in capital, or over 300 million of New Taiwan Currency. But the following conditions are not subject to the limits.

(1) Buying and selling bonds.

(2) The negotiable securities transaction done in the securities exchange at home and abroad or the securities dealer's business premise by persons that specialized in investment, or the negotiable securities subscribed by securities dealers in the basic-level market and negotiable securities subscribed according to stipulations.

(3) Buying and selling bonds attached with buying and selling conditions, and purchase or redemption of domestic money market funds.

(4) The acquired or dispose asset type belongs to the equipment supplied for business use, and its transaction object is not related persons, meanwhile, the transaction amount is no more than New Taiwan Currency of 500 million.

(5) The real estate is acquired by means of entrusted construction on own land, entrusted construction on rented land, co-construct with separated rooms, co-construct with divided shares, co-construct with separated selling, and the estimated input transaction amount is no more than New Taiwan Currency of 500 million.

The transaction amount of preceding paragraph is calculated according to the following way:

1. The amount of each transaction.

2. The accumulated transaction amount of the same nature acquired or disposed with the same offeree within one year.

3. The accumulated transaction amount acquired or disposed (the acquirement and disposition are accumulated respectively) of the same development plan real estate within one year.

4. The accumulated transaction amount acquired or disposed (the acquirement and disposition are accumulated respectively) of the same negotiable securities within one year.

The "within one year" referred in the preceding paragraph means the time that trace and calculate forth for one year by

taking this transaction's occurrence date of facts as the baseline. According to the criterion stipulation, the announcement part is avoided to be included. According to the prescribed form, the company shall monthly input the derivative commodity transaction conditions of the company and the subsidiary corporation of public issued corporations without belonging to China up to the end of last month, to the information return internet of Financial Supervisory Commission in 10 days before every month. When announcing, if there are mistakes or omissions in the announcement project which shall be announced by the company according to the stipulation, and these mistakes or omissions need to be supplemented and corrected, then the whole project shall be announced and declared again. As acquiring or disposing assets, the company shall prepare relevant contract, journal, memorandum book, appraisal report, accountant, lawyer or finder's opinion book in the company, and except for other conditions stipulated by the law, these materials shall be kept for at least five years.

- Article 29. After the company announcing and declaring its transaction according to the preceding article's stipulation, if one of the following conditions happens, the company shall transact the announcement declaration of relevant information in the appointed internet of Financial Supervisory Commission, on the second day since date of the fact happening:
1. Conditions of change, termination or remove occurs on related contract signed in the original deal.
  2. Merger, split, acquisition or shares transferee are not completed by the arranged schedule.
  3. There are changes occurs on the content of the original announced declaration.

## **Chapter 7 Supplementary Articles**

- Article 30. If the subsidiary corporation of the company which is not belonged to the public issued company in China, acquires or disposes assets, and shall announce its declaration conditions according to Chapter 6 stipulation, the company shall do it. The subsidiary corporation in the preceding paragraph is suitable for Section 1 of Article 28 of the announced declaration standard about reaching 20% of paid-in capital or 10% of total assets, and taking the company's paid-in capital or total assets as the criterion. The stipulation of 10% of total assets in the procedure shall be calculated according to the total assets amount of the most recent individual or special financial report stipulated in securities issuers' Financial Reports Statements criterion.
- Article 31 Person who violates the disposal procedure and the related regulations in Dispose Criterion that Public Company Acquire or Dispose Assets, shall be deliberated according to staff rewards

and punishment case treatment method of the company.

Article 32 After the disposal procedure passed by board of directors, shall send to each supervisor, propose and report for agreement of shareholders meeting, which is same with the amendment. If there is directors with objections and records or written statements, shall send the objection data of directors to Audit Committee.

When discussing the disposal procedure proposed and reported to board of directors according to the former regulations, shall fully consider the opinions of each independent director, if the independent director has objections or reservations, shall record them in the discussion record of board of directors.

The first item may be approved by more than two-thirds of all directors without the consent of more than one-half of all members of the audit committee, and the resolutions of the audit committee shall be stated in the minutes of the board meeting.

All members of the Audit Committee and all directors referred to in this process are calculated by the actual incumbent.

## **Appendix 4**

The impact of the proposed unpaid share allotment on  
bank operating performance and earnings per share:

The Bank has not announced its financial forecast for 2019, so it is unable to estimate profit or loss, earnings per share or fiduciary information.

## Appendix 5

### Shareholding Status of All Directors of the Company

1. In accordance with Article 26 of the Securities Exchange Act and the number of directors and supervisors of the public offering company and the implementation of the rules:

The total shareholding of all non-independent directors of the Company shall not be less than 69,360,309 shares of the Company's issued shares.

2. The directors of the Company hold the following number of shares in accordance with the shareholder register as of the date of share transfer suspension for the current general shareholders meeting:

Title	Name	Number of shares held			Share held ratio
		Special shares	Ordinary shares	total shares	
Chairman	Li Siang Chang	-	1,390,437	1,390,437	0.04%
Managing Director (Independent Director)	Wang Gao Jing	-	-	-	0.00%
Managing Director	Chuan Cheng Investment Co., Ltd. (represented by: Jiang Cheng Hisung)	4,245,959	128,780,529	133,026,488	4.60%
Director	Union Enterprise Construction Co., Ltd. (representative : Lin, Jeff)	-	93,628,055	93,628,055	3.23%
Director	Yo Bang Co., Ltd. (represented by: Cao Su Fong)	-	39,112,188	39,112,188	1.35%
Director	Bai Sheng Investment Co., Ltd. (represented by: Lin Si Yong)	8,167,281	136,970,777	145,138,058	5.02%
Independent Director	Lu Ren Fa	-	-	-	0.00%
Independent Director	Li Guo Chang	-	-	-	0.00%
No. of Shares Held by All Non-Independent Directors		12,413,240	399,881,986	412,295,226	14.26%

Note: The date of the current general shareholders meeting is 31 May 2019 (share transfer suspension period is from 2 April 2019 to 31 May 2019).

Capital stock 2,890,012,883 shares(Ordinary shares: 2,690,012,883 shares, special shares: 200,000,000 shares)

Mandarin Chinese version shall prevail if any inconsistency exists in English version.