Union Bank of Taiwan

Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

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

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

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

March 16, 2016

Notice to Readers

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

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

UNION BANK OF TAIWAN

BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 7,839,492	2	$ 9,476,656	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	63,312,965	13	67,260,453	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	8,815,810	2	18,373,136	4
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	22,052,189	4	26,350,581	5
RECEIVABLES, NET (Notes 4, 5, 10 and 12)	15,141,373	3	14,678,252	3
CURRENT TAX ASSETS (Note 4)	316,861	-	326,786	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 40)	280,781,558	56	257,632,121	54
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 5, 13 and 40)	22,911,977	5	13,699,485	3
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4 and 14)	4,191,245	1	521,266	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 15)	2,801,929	1	2,616,318	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 16 and 41)	60,966,251	12	56,639,357	12
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	7,712,684	1	7,722,206	2
INTANGIBLE ASSETS (Note 4)				
Goodwill (Notes 5 and 18)	1,985,307	-	1,985,307	-
Computer software	154,527	-	60,891	-
Total intangible assets	2,139,834	-	2,046,198	-
DEFERRED TAX ASSETS (Notes 4 and 38)	1,750,052	-	2,245,936	-
OTHER ASSETS, NET (Notes 4, 19, 40 and 42)	2,192,481	-	1,962,732	-
TOTAL	$ 502,926,701	100	$ 481,551,483	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and other banks (Note 20)	$ 3,163,991	1	$ 6,164,744	1
Financial liabilities at fair value through profit or loss (Notes 4, 5 and 8)	54,271	-	211,084	-
Securities sold under agreements to repurchase (Notes 4 and 21)	26,986,936	5	31,791,276	7
Accounts payable (Notes 22 and 40)	3,991,542	1	5,456,071	1
Current tax liabilities (Note 4)	28,381	-	-	-
Deposits (Notes 23 and 40)	421,834,194	84	396,410,432	82
Bank debentures (Notes 4 and 24)	9,600,000	2	7,400,000	2
Other financial liabilities (Note 25)	20,408	-	18,928	-
Provisions (Notes 4, 12 and 26)	1,026,155	-	942,785	-
Deferred tax liabilities (Notes 4 and 38)	869,197	-	699,730	-
Other liabilities (Notes 28, 40 and 42)	461,462	-	418,311	-
Total liabilities	468,036,537	93	449,513,361	93
EQUITY				
Capital stock				
Common stock	26,051,524	5	24,509,306	5
Capital surplus	32,413	-	33,006	-
Retained earnings				
Legal reserve	3,450,907	1	2,522,768	-
Special reserve	558,842	-	558,842	-
Unappropriated earnings	3,078,201	1	3,045,300	1
Total retained earnings	7,087,950	2	6,126,910	1
Other equity	1,718,277	-	1,368,900	1
Total equity	34,890,164	7	32,038,122	7
TOTAL	$ 502,926,701	100	$ 481,551,483	100

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

UNION BANK OF TAIWAN

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

	2015		2014		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST (Notes 4, 30 and 40)					
Interest revenues	$ 10,129,098	105	$ 9,548,551	108	6
Interest expenses	3,959,175	41	3,681,523	42	8
Net interest	6,169,923	64	5,867,028	66	5
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4, 31 and 40)	2,087,504	22	1,954,099	22	7
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 32)	420,635	4	469,382	5	(10)
Realized gain on available-for-sale financial assets, net (Notes 4 and 33)	248,489	3	147,797	2	68
Share of profit of associates (Note 4)	169,441	2	153,314	2	11
Foreign exchange gain, net (Note 4)	495,162	5	205,885	2	141
Impairment loss recognized on financial assets, net (Notes 4, 16 and 34)	(104,843)	(1)	-	-	-
Securities brokerage fee revenues, net (Note 40)	64,113	1	67,461	1	(5)
Gain on financial asses measured at cost, net	48,650	-	49,990	1	(3)
Property loss, net	(948)	-	(1,814)	-	(48)
Other noninterest net gains (losses)	23,887	-	(63,627)	(1)	138
TOTAL NET REVENUES	9,622,013	100	8,849,515	100	9
PROVISIONS (Notes 4 and 12)					
Reversal of allowance for doubtful accounts	(113,942)	(1)	(494,806)	(6)	(77)
OPERATING EXPENSES					
Personnel expenses (Notes 4, 27, 35 and 40)	2,815,815	29	2,743,129	31	3
Depreciation and amortization (Notes 4 and 36)	252,477	3	203,904	2	24
Others (Notes 37 and 40)	2,910,248	30	2,721,734	31	7
Total operating expenses	5,978,540	62	5,668,767	64	5

(Continued)

UNION BANK OF TAIWAN

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

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

(Continued)

UNION BANK OF TAIWAN

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

	2015		2014		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)					
Basic	$1.20		$1.19		
Diluted	$1.19		$1.19		

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

UNION BANK OF TAIWAN

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

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

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

UNION BANK OF TAIWAN

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

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

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UNION BANK OF TAIWAN

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

	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (142,922)	$ (242,469)
Proceeds of the disposal of properties and equipment	1,080	95
Increase in settlement fund	-	(845)
Decrease in settlement fund	24,443	-
Increase in refundable deposits	(197,691)	(74,762)
Payments for intangible assets	(89,532)	(31,056)
Proceeds of the disposal of collaterals	21,750	-
Decrease (increase) in other assets	(56,501)	37,973
Net cash used in investing activities	(439,373)	(311,064)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issue bank debentures	2,200,000	-
Increase (decrease) in guarantee deposits received	(11,866)	6,302
Increase in other liabilities	27,226	55,922
Cash dividends paid	(637,242)	(8,962)
Net cash generated from financing activities	1,578,118	53,262
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	76,004	554,167
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,935,556)	3,902,758
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	85,927,237	82,024,479
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 77,991,681	$ 85,927,237

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

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

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

1. GENERAL INFORMATION

The Union Bank of Taiwan (the "Bank") obtained approval from the Ministry of Finance (MOF) to be established on August 1, 1991 and was incorporated on December 31, 1991. It started operations on January 21, 1992.

The Bank engages in activities allowed under the Banking Law, which cover deposits, loans, discounts, remittances, acceptances, issuance of guarantees and letters of credit, short-term bills transactions, investments, foreign exchange transactions, savings, trust, etc.

On the Bank's merger with Chung Shing Bank on March 19, 2005, the Bank took over all of the assets, liabilities and operating units of Chung Shing Bank.

The Bank merged with the Union Bills Finance Corporation (UBF) on August 16, 2010, with the Bank as the survivor entity.

As of December 31, 2015, the Bank's operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 90 domestic branches (including Business Department).

The operations of the Bank's Trust Department are (1) trust business planning, managing and operating; and (2) custody of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These foregoing operations are regulated under the Banking Law and Trust Law.

The Bank's shares are traded on the Taiwan Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 16, 2016.

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

a. Initial application of the amendments to the Criteria Governing the Preparation of Financial Reports by Public Banks and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Bank should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Criteria Governing the Preparation of Financial Reports by Public Banks starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Criteria Governing the Preparation of Financial Reports by Public Banks and the 2013 IFRSs version would not have any material impact on the Bank's accounting policies:

1) IFRS 13 "Fair Value Measurement"

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

   The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 44 for related disclosures.

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

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

   The Bank will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

3) Revision to IAS 19 "Employee Benefits"

   The interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

4) Amendments to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"

   The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements. Refer to Note 45 for related disclosure.

5) Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

   The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

6) Annual Improvements to IFRSs: 2009-2011 Cycle
Several standards including IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments: Presentation" and IAS 34 "Interim Financial Reporting" were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 "Income Taxes".

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Bank should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Bank has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018(Note 4)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB

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New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Bank's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

   For the Bank's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

   a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

   b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

   Except for above, all other financial assets are measured at fair value through profit or loss. However, the Bank may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

   The impairment of financial assets

   IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

   For purchased or originated credit-impaired financial assets, the Bank takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Bank is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

8) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Bank is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Bank may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Bank should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Bank as lessor.

When IFRS 16 becomes effective, the Bank may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

9) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Bank expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Bank should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Bank’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks and IFRSs as endorsed by the FSC.

Basis of Preparation

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

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

Foreign Currencies

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

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

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

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

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

Investments Accounted for Using the Equity Method

a. Investments in subsidiaries

Subsidiaries are the entities controlled by the Bank.

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

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

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

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

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

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

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

b. Investment in associates

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

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank’s share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in the Bank’s share of equity of associates attributable to the Group.

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

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

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

1) Financial assets at fair value through profit or loss

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

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

b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to key management; or

c) The contract contains one or more embedded derivatives so that, the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 44.

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

2) Held-to-maturity investments

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

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

3) Available-for-sale financial assets

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

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

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

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

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

4) Loans and receivables

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

b. Impairment of financial assets

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables (please specify) where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

Except in the following situations, all financial liabilities are measured at amortized cost using the effective interest method, less any impairment:

1) Financial liabilities at fair value through profit or loss

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

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

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

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to key management personnel; or

c) A contract contains one or more embedded derivatives such that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 44.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

b. Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Nonperforming Loans

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

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

Allowance for Doubtful Accounts and Reserve for Losses on Guarantees

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

Under the regulations issued by the Ministry of Finance (MOF), the Bank evaluates credit balances on the basis of their estimated collectibility.

The MOF regulations also require the grouping of loans into these five classes: Normal, special mention, substandard, with doubtful collectibility and uncollectible; the minimum allowances for doubtful accounts and for losses on guarantees for these loans should be 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credits.

Later, the MOF issued a guideline stating that, within three years from January 1, 2011, the normal loans should have a minimum allowance of 1%, with the allowances for the four non-normal loans remaining the same. The Bank believes it can meet this new allowance requirement within three years from January 1, 2011.

Rule No. 10300329440 issued by FSC, stipulated the minimum the allowance for mortgage and improvement loans should be 1.5% by the end of 2016.

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

Repurchase and Resell Transactions

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

Property and Equipment

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

Freehold land is not depreciated.

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

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

Goodwill

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

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

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

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

Intangible Assets

<u>Separate acquisition</u>

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

<u>Derecognition</u>

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

Foreclosed Collaterals

Collaterals assumed (included in other assets) are recorded at cost, which includes the assumed prices and any necessary repairs to make the collaterals saleable, and evaluated at the lower of cost or net realizable value as of the balance sheet date.

Impairment of Tangible and Intangible Assets (Excluded Goodwill)

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

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

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

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

Leasing

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

a. Bank as lessor

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

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

b. Bank as lessee

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

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

Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

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

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Interest Revenue and Service Fees

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on these loans/credits is recognized upon collection. Under a Ministry of Finance regulation, the interest revenue on credits covered by agreements that extend their repayment periods is recorded as deferred revenue and recognized as revenue upon collection

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Estimated impairment of loans and receivables

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

c. Fair value measurements and valuation processes

Fair values of financial instruments in an inactive market or with no quoted market prices are determined by valuation techniques. Under these circumstances, fair values are derived from observable market data of other similar financial assets. When there are no observable inputs in the market, the fair values of financial instruments are estimated by making appropriate assumptions. The Bank applies appropriate valuation models to determine the fair values of financial instruments subjective to valuation techniques. All models are fine-tuned to ensure the valuation results fairly reflect actual market information and prices. The Bank's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

For the fair value determination of financial instruments, refer to Note 44 to the financial statements.

d. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	$ 5,840,383	$ 5,238,017
Checks for clearing	1,335,777	2,885,352
Due from banks	663,332	1,353,287
	$ 7,839,492	$ 9,476,656

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2015	2014
Deposit reserve - checking account	$ 4,410,194	$ 6,913,974
Required deposit reserve	10,746,559	10,198,902
Deposit reserve - foreign-currency deposits	56,212	47,577
Deposit account in Central Bank	48,100,000	50,100,000
	$ 63,312,965	$ 67,260,453

Under a directive issued by the Central Bank of the ROC, the Bank determines monthly the New Taiwan dollar (NTD)-denominated deposit reserves at prescribed rates based on the average balances of customers' NTD-denominated deposits, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at rates prescribed for balances of foreign-currency deposits. These reserves may be withdrawn anytime and are noninterest earning.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets held for trading		
Commercial paper	$ 5,974,371	$ 15,797,263
Government bonds	153,772	154,538
Quoted stocks	310,264	131,750
Mutual funds	85,950	-
	6,524,357	16,083,551
Derivative instrument		
Forward exchange contracts	337,231	345,786
Currency swap contracts	25,832	16,573
Option contracts	24,194	104,410
	387,257	466,769
	6,911,614	16,550,320

(Continued)

	December 31	
	2015	2014
Financial assets designated as at fair value through profit or loss		
Corporate bonds	$ 1,076,321	$ 1,362,869
Principal guaranteed notes	827,875	459,947
	1,904,196	1,822,816
	$ 8,815,810	$ 18,373,136
Financial liabilities held for trading		
Derivative instrument		
Option contracts	$ 24,190	$ 104,511
Forward exchange contracts	23,115	102,298
Currency swap contracts	6,966	4,275
	$ 54,271	$ 211,084

(Concluded)

The Bank engaged in derivative transactions mainly to accommodate customers' needs and manage its exposure positions. The financial risk management objective of the Bank was to minimize risks due to changes in fair value or cash flows.

The contract amounts (notional amounts) of the derivative transactions for accommodating customers' needs and managing its exposure positions as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014
Currency swap contracts	$ 21,330,781	$ 17,473,017
Forward exchange contracts	3,363,668	13,973,014
Option contracts		
Buy	2,535,670	5,199,453
Sell	2,535,670	5,199,453

As of December 31, 2015 and 2014, financial instruments at fair value through profit and loss in the amount of $5,080,161 thousand and $10,329,832 thousand were under agreement to repurchase agreements.

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2015	2014
Commercial paper	$ 11,350,076	$ 13,402,990
Government bonds	443,723	330,016
Corporate bonds	10,258,390	12,617,575
	$ 22,052,189	$ 26,350,581
Date of the resell agreement	2016.01-2015.03	2015.01-2015.02
Amount of the resell	$ 22,062,682	$ 26,351,543

The securities purchased under resell agreements had not been sold under repurchase agreements.

10. RECEIVABLES, NET

	December 31 2015	December 31 2014
Notes and accounts receivable	$ 13,119,568	$ 12,801,378
Interbank clearing fund receivable	800,426	800,272
Interest receivable	684,907	604,832
Investment receivable	181,140	179,098
Acceptances receivable	116,920	109,593
Settlement price	15,850	76,998
Collections receivable	59,444	56,715
Others	276,476	186,784
	15,254,731	14,815,670
Less: Allowance for doubtful accounts	113,358	137,418
	$ 15,141,373	$ 14,678,252

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

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

11. DISCOUNTS AND LOANS, NET

		December 31 2015	December 31 2014
Discounts and overdraft		$ 739,306	$ 731,098
Accounts receivable - financing		37,911	70,360
Loans			
Short-term	- unsecured	51,296,167	41,552,230
	- secured	52,345,949	47,417,513
Medium-term	- unsecured	14,731,841	14,901,112
	- secured	45,023,115	40,092,743
Long-term	- unsecured	4,345,031	4,296,467
	- secured	114,931,001	110,906,045
Import and export negotiations		47,331	93,307
Overdue loans		80,766	138,360
		283,578,418	260,199,235
Less: Allowance for doubtful accounts		2,796,860	2,567,114
		$ 280,781,558	$ 257,632,121

As of December 31, 2015 and 2014, the balances of nonaccrual loans were $80,766 thousand and $138,360 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $2,752 thousand in 2015 and $3,719 thousand in 2014.

In 2015 and 2014, the Bank wrote off certain credits after completing the required legal procedures.

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

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The movements in the allowance for doubtful accounts and reserve for losses on guarantees liabilities for the years ended December 31, 2015 and 2014 are summarized as follows:

	Year Ended December 31, 2015			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2015	$ 137,418	$ 2,567,114	$ 170,000	$ 2,874,532
Allowance (reversal of allowance) for doubtful accounts	(194,458)	66,515	14,001	(113,942)
Write-offs	(161,702)	(94,800)	-	(256,502)
Recovery of written-off credits	339,100	362,168	-	701,268
Reclassification	(7,000)	(106,260)	10,000	(103,260)
Effects of exchange rate changes	-	2,123	5	2,128
Balance at December 31, 2015	$ 113,358	$ 2,796,860	$ 194,006	$ 3,104,224

	Year Ended December 31, 2014			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2014	$ 276,244	$ 2,524,436	$ 85,000	$ 2,885,680
Allowance (reversal of allowance) for doubtful accounts	(281,184)	(298,622)	85,000	(494,806)
Write-offs	(287,829)	(86,396)	-	(374,225)
Recovery of written-off credits	385,187	466,996	-	852,183
Reclassification	45,000	(45,000)	-	-
Effects of exchange rate changes	-	5,700	-	5,700
Balance at December 31, 2014	$ 137,418	$ 2,567,114	$ 170,000	$ 2,874,532

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Corporate bonds	$ 6,846,393	$ 7,203,711
Financial bonds	6,286,527	-
Mutual funds	2,470,286	2,569,496
Overseas quoted stocks	3,988,105	1,057,344
Domestic quoted stocks	2,433,640	1,991,358
Government bonds	887,026	877,576
	$ 22,911,977	$ 13,699,485

The available-for-sale financial assets amounting to $3,456,421 thousand and $2,835,067 thousand as of December 31, 2015 and 2014, respectively, had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Government bonds	$ 3,862,810	$ 493,990
Corporate bonds	300,000	-
Asset-based securities	28,435	27,276
	$ 4,191,245	$ 521,266

The held-to-maturity investments had not been sold under repurchase agreements.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31	
	2015	2014
Investments in subsidiaries	$ 2,748,135	$ 2,562,135
Investments in associates	53,794	54,183
	$ 2,801,929	$ 2,616,318

a. Investments in subsidiaries

	December 31	
	2015	2014
Union Finance and Leasing International Corporation (UFLIC)	$ 2,465,877	$ 2,294,342
Union Securities Investment Trust Corporation (USITC)	140,135	144,819
Union Finance International (H.K.) Limited	72,379	81,269
Union Insurance Broker Company (UIB)	43,562	25,237
Union Information Technology Corporation (UIT)	26,182	16,468
	$ 2,748,135	$ 2,562,135

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

	December 31	
	2015	2014
Union Finance and Leasing International Corporation (UFLIC)	100.00%	100.00%
Union Securities Investment Trust Corporation (USITC)	35.00%	35.00%
Union Finance International (H.K.) Limited	99.99%	99.99%
Union Insurance Broker Company (UIB)	100.00%	100.00%
Union Information Technology Corporation (UIT)	99.99%	99.99%

The Bank's share of profit and other comprehensive income of subsidiaries for the years ended December 31, 2015 and 2014 was based on the subsidiaries' audited financial statements for the same reporting periods as those of the Bank.

b. Investment in as associates

	December 31	
	2015	2014
Union Real-Estate Management Corporation	$ 53,794	$ 54,183
I Pass Corporation	-	-
	$ 53,794	$ 54,183

Before the end of 2013, the Bank prepaid an investment of $130,000 thousand in I Pass Corporation (part of other financial assets, net). The investee was established on January 29, 2014. The Bank ceased to have significant influence on the investee when it did not subscribe for the new ordinary shares issued by the investee for cash. The Bank's percentage of ownership thus decreased from 24.62% to 17.52%, and the Bank's remaining interest in the investee was recognized under financial assets carried at cost.

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

	December 31	
	2015	2014
Net loss	$ (389)	$ (111)

The Bank's share of the associate's profit and other comprehensive income for 2015 and 2014 was based on the associate's audited financial statements for the same reporting periods as those of the Bank.

16. OTHER FINANCIAL ASSETS, NET

	December 31	
	2015	2014
Debt instruments with no active markets, net	$ 51,446,515	$ 45,121,992
Pledged assets (Note 41)	7,742,005	8,357,344
Due from banks - certificate of deposit	1,261,813	2,644,570
Financial assets carried at cost, net	511,514	515,451
Others	4,404	-
	$ 60,966,251	$ 56,639,357

a. Debt instruments with no active markets

The Bank recognized impairment loss on debt instruments with no active market amounting to $120,000 thousand in 2015.

As of December 31, 2015 and 2014, debt instruments with no active markets and amounting to $25,051,288 thousand and $27,263,845 thousand, respectively, were under repurchase agreements.

b. Financial assets carried at cost, net

	December 31 2015	December 31 2014
Unquoted stocks		
I Pass Corporation (Note 15)	$ 123,320	$ 123,320
Financial Information Service Company	118,782	118,782
Taiwan Asset Management Corporation	75,000	75,000
Taiwan Future Exchange Corporation	71,250	71,250
Taiwan Financial Asset Service Corporation	50,000	50,000
Other	73,162	77,099
	$ 511,514	$ 515,451

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

c. Due from banks - certificate of deposit

The amount of due from banks - time deposits with maturities longer than three months and certificate of deposit cannot be cancelled or used.

17. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2014	$ 3,421,707	$ 5,052,401	$ 1,330,454	$ 263,090	$ 407,106	$ 9,947	$ 10,484,705
Additions	-	20,960	47,377	9,969	60,194	128,819	267,319
Disposals	-	-	(111,199)	(4,786)	(312)	-	(116,297)
Reclassification	-	174	1,830	1,619	4,487	(11,379)	(3,269)
Balance at December 31, 2014	3,421,707	5,073,535	1,268,462	269,892	471,475	127,387	10,632,458
Accumulated depreciation							
Balance at January 1, 2014	-	1,062,810	1,220,127	235,766	335,026	-	2,853,729
Depreciation	-	111,194	25,393	5,994	28,330	-	170,911
Disposals	-	-	(109,735)	(4,616)	(37)	-	(114,388)
Balance at December 31, 2014	-	1,174,004	1,135,785	237,144	363,319	-	2,910,252
Balance at December 31, 2014, net	$ 3,421,707	$ 3,899,531	$ 132,677	$ 32,748	$ 108,156	$ 127,387	$ 7,722,206
Cost							
Balance at January 1, 2015	$ 3,421,707	$ 5,073,535	$ 1,268,462	$ 269,892	$ 471,475	$ 127,387	$ 10,632,458
Additions	-	10,722	101,239	6,760	49,220	81,146	249,087
Disposals	-	-	(68,298)	(3,324)	-	-	(71,622)
Reclassification	-	2,970	101,911	728	9,717	(164,138)	(48,812)
Balance at December 31, 2015	3,421,707	5,087,227	1,403,314	274,056	530,412	44,395	10,761,111
Accumulated depreciation							
Balance at January 1, 2015	-	1,174,004	1,135,785	237,144	363,319	-	2,910,252
Depreciation	-	114,315	49,918	6,962	36,574	-	207,769
Disposals	-	-	(66,338)	(3,256)	-	-	(69,594)
Balance at December 31, 2015	-	1,288,319	1,119,365	240,850	399,893	-	3,048,427
Balance at December 31, 2015, net	$ 3,421,707	$ 3,798,908	$ 283,949	$ 33,206	$ 130,519	$ 44,395	$ 7,712,684

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

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

18. GOODWILL

The Bank acquired Chung Shing Bank ("Chung Shing") on March 19, 2005 and recognized goodwill amounting to $3,309,000 thousand. The goodwill amortization period was five years, and the amortization expense in 2005 was $551,500 thousand. However, the amortization of goodwill became no longer required from January 1, 2006.

The Bank merged with Union Bills Finance Corporation on August 16, 2010, with the Bank as the survivor entity, and recognized goodwill amounting to $130,498 thousand.

For the impairment test on Chung Shing, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of Chung Shing's present operations and will be adjusted depending on the business outlook and economic trends.

As of December 31, 2015 and 2014, the balances of accumulated impairment both were $902,691 thousand.

19. OTHER ASSETS, NET

	December 31	
	2015	**2014**
Refundable deposits	$ 1,990,264	$ 1,817,016
Prepaid expenses	194,140	127,934
Others	8,077	17,782
	$ 2,192,481	$ 1,962,732

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2015	**2014**
Due to Chunghwa Post Co., Ltd.	$ 1,417,120	$ 4,054,959
Call loans from banks	1,570,456	2,000,000
Due to the Central Bank and other banks	143,931	68,647
Overdraft	32,484	41,138
	$ 3,163,991	$ 6,164,744

21. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2015	2014
Asset-based securities	$ 18,186,300	$ 18,396,440
Commercial paper	4,929,255	10,186,820
Government bonds	1,137,515	1,129,932
Corporate bonds	2,733,866	2,078,084
	$ 26,986,936	$ 31,791,276
Date of repurchase agreement	2016.01-2016.06	2015.01-2015.03
Amount of repurchase agreement	$ 27,000,897	$ 31,819,568

22. PAYABLES

	December 31	
	2015	2014
Notes and checks in clearing	$ 1,335,779	$ 2,885,352
Accrued expenses	661,598	778,231
Interest payable	631,561	610,445
Investments payable	147,864	240,279
Collections payable	166,249	172,890
Bank acceptances payable	116,995	110,363
Tax taxable	117,064	100,778
Payables on equipment	106,165	-
Provision for payment to the Bank’s check	73,507	65,852
Accounts payable on wire transfers received	58,221	58,293
Dishonored accounts payable	44,233	43,917
Others	532,306	389,671
	$ 3,991,542	$ 5,456,071

23. DEPOSITS AND REMITTANCES

	December 31	
	2015	2014
Checking deposits	$ 4,713,786	$ 4,794,920
Demand deposits	61,444,600	56,397,374
Savings deposits	279,077,038	263,634,990
Time deposits	76,307,305	70,787,329
Negotiable certificates of deposit	263,300	754,500
Inward and outward remittances	28,165	41,319
	$ 421,834,194	$ 396,410,432

24. BANK DEBENTURES

	December 31 2015	December 31 2014
First issue of subordinated bank debentures in 2009; fixed 2.95%; maturity: June 2016	$ 900,000	$ 900,000
First issue of subordinated bank debentures in 2011; fixed 2.78%; maturity: June 2018	2,000,000	2,000,000
First issue of subordinated bank debentures in 2012; fixed 2.32%; maturity: March 2019	1,500,000	1,500,000
First issue of subordinated bank debentures in 2013; fixed 2.10%; maturity: December 2020	3,000,000	3,000,000
First issue of subordinated bank debentures in 2015; fixed 2.08%; maturity: April 2022	2,200,000	-
	$ 9,600,000	$ 7,400,000

25. OTHER FINANCIAL LIABILITIES

	December 31 2015	December 31 2014
Principals of structured products	$ 11,898	$ 2,959
Funds obtained from the government - intended for specific types of loans	8,510	15,969
	$ 20,408	$ 18,928

26. PROVISIONS

	December 31 2015	December 31 2014
Provisions for employee benefits	$ 805,870	$ 746,506
Reserve for losses on guarantees (Note 12)	194,006	170,000
Others	26,279	26,279
	$ 1,026,155	$ 942,785

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The total expenses recognized in profit or loss for 2015 and 2014 of $109,264 thousand and $101,999 thousand, respectively, were contributions payable to these plans by the Bank at rates specified in the pension plan rules.

b. Defined benefit plans

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

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

The fund is deposited in the Bank of Taiwan under management of Bureau of Labor Funds, Ministry of Labor. The Bank has no right to influence the investment policy and strategy. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2015	**2014**
Present value of defined benefit obligation	$ (1,514,365)	$ (1,437,866)
Fair value of plan assets	708,495	691,360
Deficit (surplus)	(805,870)	(746,506)
Net defined benefit liability	$ (805,870)	$ (746,506)

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Total**
Balance at January 1, 2014	$ (1,328,692)	$ 658,336	$ (670,356)
Service cost			
Current service cost	(18,711)	-	(18,711)
Net interest expense (income)	(24,294)	11,926	(12,368)
Recognized in profit or loss	(43,005)	11,926	(31,079)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	686	686
Actuarial gain - changes in financial assumptions	(26,943)	-	(26,943)
Actuarial gain - experience adjustments	(46,611)	-	(46,611)
Recognized in other comprehensive income	(73,554)	686	(72,868)
Contributions from the employer	-	27,797	27,797
Benefits paid	7,385	(7,385)	-
Balance at December 31, 2014	$ (1,437,866)	$ 691,360	$ (746,506)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2015	$ (1,437,866)	$ 691,360	$ (746,506)
Service cost			
Current service cost	(18,565)	-	(18,565)
Net interest expense (income)	(22,125)	12,206	(9,919)
Recognized in profit or loss	(40,690)	12,206	(28,484)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,610)	(3,610)
Actuarial loss - changes in domographic assumption	(19,810)	-	(19,810)
Actuarial loss - changes in financial assumptions	(46,636)	-	(46,636)
Actuarial loss - experience adjustments	9,011	-	9,011
Recognized in other comprehensive income	(57,435)	(3,610)	(61,045)
Contributions from the employer	-	30,165	30,165
Benefits paid	21,626	(21,626)	-
Balance at December 31, 2015	$ (1,514,365)	$ 708,495	$ (805,870)

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate	1.50%	1.75%
Expected rates of future salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	$ (47,547)
0.25% decrease	$ 49,738
Expected rate(s) of salary increase	
0.25% increase	$ 48,876
0.25% decrease	$ (46,982)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	$ 29,705	$ 32,528
The average duration of the defined benefit obligation	13 years	13 years

28. OTHER LIABILITIES

	December 31	
	2015	2014
Advance receipts	$ 310,349	$ 272,494
Guarantee deposits received	85,917	97,783
Others	65,196	48,034
	$ 461,462	$ 418,311

29. EQUITY

a. Capital stock

Common stock

	December 31	
	2015	2014
Number of shares authorized (in thousands)	3,000,000	3,000,000
Amount of shares authorized	$ 30,000,000	$ 30,000,000
Number of shares issued and fully paid (in thousands)	2,605,152	2,450,930
Amount of shares issued	$ 26,051,524	$ 24,509,306

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

b. Capital surplus

	December 31	
	2015	2014
Arising from issuance of common shares	$ -	$ 593
Treasury stock transactions	32,413	32,413
	$ 32,413	$ 33,006

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

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

c. Legal reserve

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

d. Special reserve

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

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

e. Retained earnings and dividend policy

The Bank's Articles of Incorporation provide that annual net income less any prior years' deficit should be appropriated in the following order:

1) 30% as legal reserve;

2) Special reserve, as deemed proper;

3) Remainder plus prior year's unappropriated earnings: Dividends;

4) Final remainder:

a) Employees' bonus of at least 10%; subsidiaries' employees are included if employees' bonus is in the form of stock and if the employees meet the conditions that the board members are authorized to set;

c) Directors' bonus of 0.5%;

These appropriations should be approved by the stockholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

The board of directors decides the appropriation and distribution of cash and stock dividends, taking into account the Bank's overall financial and economic condition, future profitability and capital expenditure requirements. In principle, when the Bank of International Settlement ratio is lower than the ratio approved by the authorities plus 1%, primarily stock dividends will be declared. If the legal reserve has not reached the Bank's paid-in capital, cash dividends are limited to 15% of the Bank's paid-in capital. The plan on employees' bonus and remuneration to directors and supervisors is proposed by the board of directors.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The Bank made consequential amendments to the Bank's Articles of Incorporation on January 27, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual distributions, please refer to Note 35.

The appropriations from the earnings of 2014 and 2013 were approved in stockholders' meetings on June 26, 2015 and June 6, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2014	**2013**	**2014**	**2013**
Legal reserve	$ 928,139	$ 837,731		
Special reserve	-	(355,597)		
Stock dividends on common shares	1,470,558	2,283,021	$ 0.60	$ 1.03
Cash dividends on common shares	637,242	-	0.26	-
Cash dividends on preferred shares	-	8,962	-	0.40

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

The appropriations from the 2015 earnings were proposed by the board of directors on March 16, 2016. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 923,460	
Stock dividends on common shares	1,042,061	$0.4

The proposed appropriations from the 2015 earnings, including the bonus to employees and remuneration to directors and supervisors, will be presented to the stockholders in their meeting on June 8, 2016.

f. Special reserve

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

	December 31	
	2015	**2014**
Balance at January 1	$ 558,842	$ 914,439
Reversal of special reserve		
Reversal of other equity items minus	-	(355,597)
Balance at December 31	$ 558,842	$ 558,842

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

g. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2015	**2014**
Balance at January 1	$ 339,253	$ (77,629)
Exchange differences arising on translating the foreign operations	80,338	560,226
Income tax on related from translating the net assets of foreign operations	(33,116)	(95,238)
Share of exchange difference of subsidiaries accounted for using the equity method	29,574	(48,106)
Balance at December 31	$ 416,049	$ 339,253

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

	For the Year Ended December 31	
	2015	**2014**
Balance at January 1	$ 1,029,647	$ 909,507
Unrealized gain from the revaluation of available-for-sale financial assets	408,917	334,769
Income tax on unrealized gain from the revaluation of available-for-sale financial assets	(75,315)	(71,190)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(68,570)	(110,624)
Share of exchange difference of subsidiaries accounted for using the equity method	7,549	(32,815)
Balance at December 31	$ 1,302,228	$ 1,029,647

30. NET INTEREST

	For the Year Ended December 31	
	2015	2014
Interest revenue		
Discounts and loans	$ 6,423,553	$ 5,906,403
Debt instruments with no active market	1,709,484	1,743,841
Credit card	803,670	892,076
Due from the Central Bank and call loans to other banks	629,167	697,483
Available-for-sale financial assets	415,129	173,694
Securities purchased under resell agreements	109,333	114,536
Held-to-maturity financial assets	26,147	8,500
Others	12,615	12,018
	10,129,098	9,548,551
Interest expense		
Deposits	3,512,895	3,238,946
Securities sold under repurchase agreements	183,609	179,551
Bank debentures	209,162	179,950
Due to Chunghwa Post Co., Ltd.	34,727	64,073
Others	18,782	19,003
	3,959,175	3,681,523
	$ 6,169,923	$ 5,867,028

31. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2015	2014
Commission and fee revenues		
Credit cards and cash cards	$ 990,322	$ 904,081
Trust business	337,313	380,874
Insurance commission	655,770	461,761
Loan business	191,591	165,316
Interbank service fee	129,293	122,726
Guarantee business	84,113	84,039
Underwriting business	123,231	110,894
Remittances	36,359	36,376
Custody	30,418	31,293
Postage/cable charge	22,534	21,264
Agency	18,800	17,102
Import and export business	8,630	8,640
Others	104,339	101,346
	2,732,713	2,445,712
Commission and fee expense		
Credit card	514,112	362,379
Verification of credit	25,440	27,485
Interbank service fee	15,581	16,273
Acquiring liquidation deal	13,721	13,697
Agency fee	11,795	10,853
Others	64,560	60,926
	645,209	491,613
	$ 2,087,504	$ 1,954,099

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

	For the Year Ended December 31	
	2015	2014
Realized gain or loss on financial assets at fair value through profit or loss		
Forward exchange contracts	$ (25,398)	$ (172,136)
Interest revenue	174,282	158,643
Currency swap contracts	212,133	199,988
Convertible corporate bonds	35,809	22,322
Commercial paper	45,772	26,105
Option contracts	6,896	6,780
Beneficial securities and stocks	(96,545)	12,372
Government bonds	(2,179)	(5,826)
Dividend	5,587	2,349
Finance purchase under agreement to resell	-	729
	356,357	251,326
Unrealized gain or loss on financial assets at fair value through profit or loss		
Derivative financial assets and liabilities	84,827	210,895
Government bonds and corporate bonds	4,389	1,423
Beneficial securities and stocks	(25,245)	4,065
Commercial paper	307	1,673
	64,278	218,056
	$ 420,635	$ 469,382

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

	For the Year Ended December 31	
	2015	2014
Net income on disposal - beneficial securities	$ 50,752	$ 78,475
Dividend	179,919	37,173
Net income on disposal - stocks	6,853	25,169
Net income on disposal - corporate bonds	10,965	6,977
Net income on disposal - government bonds	-	3
	$ 248,489	$ 147,797

34. REVERSAL OF IMPAIRMENT INCOME (LOSS) ON ASSETS

	For the Year Ended December 31	
	2015	2014
Other financial assets	$ (120,000)	$ -
Foreclosed collaterals	15,157	-
	$ (104,843)	$ -

35. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2015	2014
Salaries and wages	$ 1,907,592	$ 1,797,620
Bonus	488,969	546,108
Pension	137,748	133,078
Labor insurance and national health insurance	231,491	214,652
Others	50,015	51,671
	$ 2,815,815	$ 2,743,129

As of December 31, 2015 and 2014, the Bank had 3,542 and 3,356 employees, respectively. For the years ended December 31, 2015 and 2014, the Bank's average number of employees was 3,426 and 3,286, respectively.

For 2015 and 2014, the estimates of the bonus to employees were $69,510 thousand and the remunerations to directors and supervisors were $3,475 thousand. The bonus to employees and remuneration to directors and supervisors were 10% and 0.5%, respectively, of net income (net of the bonus and remuneration) minus legal reserve, special reserve, and dividends.

To comply with the Company Act as amended in May 2015, the stockholders approved the amendment of the Bank's Articles of Incorporation (the "Articles") on January 27, 2016. Based on the approved amendments of the Articles, the Company stipulated the distribution of employees' compensation and remuneration to directors at the rates of between 1% and 5% and no higher than 0.1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors were $70,497 thousand and $3,448 thousand, respectively, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The employees' compensation of $70,497 thousand and remuneration of $3,448 thousand to directors and supervisors in cash for the year ended December 31, 2015 were approved by the Company's board of directors on March 16, 2016. The distribution of these amounts is subject to the shareholders' approval of the amendments to the Bank's Articles of Incorporation in their meeting on June 8, 2016, during which a report of this distribution will be presented.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus/compensation and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonus to employees and the remuneration to directors for 2014 and 2013, which were approved in the stockholders' meetings on June 26, 2015 and June 6, 2014, respectively, were as follows:

	2014		2013	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	$ -	$ 69,510	$ -	$ 59,752
Bonus to directors and supervisors	3,475	-	2,988	-

The stock bonus to employees was $7,166 thousand and $6,103 thousand, determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting in 2015 and 2014.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the stockholders' meetings in 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

The bonus to employees and remuneration to directors and supervisors approved in the shareholders meeting on June 6, 2014 differed from the amounts recognized in the financial statements for the year ended December 31, 2013. The differences were adjusted to profit and loss for the year ended December 31, 2014.

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

36. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2015	2014
Property and equipment	$ 207,769	$ 170,911
Intangible assets	44,708	32,993
	$ 252,477	$ 203,904

37. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2015	2014
Rental	$ 590,985	$ 602,907
Outsourcing service	278,591	291,642
Taxation and government fee	552,373	395,589
Advertisement	356,346	350,663
Postage/cable charge	223,727	229,186
Computer operating	156,306	153,583
Deposit insurance	123,393	115,548
Maintenance charge	96,864	101,214
Marketing	63,599	57,972
Donation	27,937	35,999
Printing and binding	42,601	42,585
Others	397,526	344,846
	$ 2,910,248	$ 2,721,734

38. INCOME TAX

a. Income tax recognized in profit or loss

The main components of income tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
Current year	$ 34,483	$ 11,517
Prior year's adjustments	34,732	(840)
Additional tax of unappropriated earnings	-	1,832
	69,215	12,509
Deferred tax		
Current year	567,298	569,250
Income tax expense recognized in profit or loss	$ 636,513	$ 581,759

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2015 and 2014 is as follows:

	For the Year Ended December 31	
	2015	2014
Income before tax	$ 3,757,415	$ 3,675,554
Income tax expense at the 17% statutory rate	$ 638,761	$ 624,844
Nondeductible expenses in determining taxable income	4,379	2
Additional income tax under the Alternative Minimum Tax Act	34,483	11,517
Unrecognized deductible temporary differences	31,417	19,895
Additional tax of unappropriated earnings	-	1,832
Tax-exempt income	(107,259)	(75,491)
Adjustments for prior year's tax	34,732	(840)
Income tax expense recognized in profit or loss	$ 636,513	$ 581,759

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

As the manner of the 2016 appropriation of the 2015 earnings is uncertain, the income tax consequences on the 2015 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
Deferred tax		
Recognized in other comprehensive income:		
Unrealized gains on available-for-sale financial assets	$ 75,315	$ 71,190
Exchange differences on the translation of financial statements of foreign operations	33,116	95,238
Actuarial gains and losses on defined benefit plans	(10,378)	(12,387)
Total income tax expenses recognized in other comprehensive income	$ 98,053	$ 154,041

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss of financial instruments	$ 2,306	$ 39,898	$ -	$ 42,204
Employee benefit plan	125,467	(286)	10,378	135,559
Payable for annual leave	18,363	(13,151)	-	5,212
Allowance for possible losses	10,873	(10,873)	-	-
Others	20,597	3,713	-	24,310
	177,606	19,301	10,378	207,285
Loss carryforwards	2,068,330	(525,563)	-	1,542,767
	$ 2,245,936	$ (506,262)	$ 10,378	$ 1,750,052
Deferred tax liabilities				
Temporary differences				
Exchange difference on foreign operations	$ (29,513)	$ -	$ (33,116)	$ (62,629)
Available-for-sale finance assets	(282,076)	-	(75,315)	(357,391)
Amortization of goodwill impairment loss	(334,729)	(2,773)	-	(337,502)
Others	(53,412)	(58,263)	-	(111,675)
	$ (699,730)	$ (61,036)	$ (108,431)	$ (869,197)

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss of financial instruments	$ 166,201	$ (163,895)	$ -	$ 2,306
Exchange difference on foreign operations	65,725	-	(65,725)	-
Employee benefit plan	111,816	1,264	12,387	125,467
Payable for annual leave	19,120	(757)	-	18,363
Allowance for possible losses	60,493	(49,620)	-	10,873
Others	17,268	3,329	-	20,597
	440,623	(209,679)	(53,338)	177,606
Loss carryforwards	2,385,432	(317,102)	-	2,068,330
	$ 2,826,055	$ (526,781)	$ (53,338)	$ 2,245,936
Deferred tax liabilities				
Temporary differences				
Exchange difference on foreign operations	$ -	$ -	$ (29,513)	$ (29,513)
Available-for-sale finance assets	(210,886)	-	(71,190)	(282,076)
Amortization of goodwill impairment loss	(330,292)	(4,437)	-	(334,729)
Others	(15,380)	(38,032)	-	(53,412)
	$ (556,558)	$ (42,469)	$ (100,703)	$ (699,730)

d. Information about loss carryforwards

The Bank's loss carryforwards as of December 31, 2014 were as followed:

Unused Amount	Expiry Year
$ 1,781,683	2017
3,598,295	2018
3,654,948	2019
40,176	2020
$ 9,075,102	

e. Information on the Bank's integrated income tax

	December 31	
	2015	2014
Imputation credits accounts	$ 44,749	$ 90,974

The Bank has no unappropriated earnings generated on before January 1, 1998.

The creditable ratios for the distribution of the earnings of 2015 and 2014 were 2.57% (expected ratio) and 3.50%, respectively.

The Bank disagreed with the tax authorities' assessment of its ending balance of imputation credit accounts (ICA) for 2012. It will determine the creditable ratios for the distribution of the 2013 earnings after its application for the reexamination of the 2012 ICA ending balance.

Under the Income Tax Law, for the distribution of earnings generated from January 1, 1998, the imputation credits allocable to ROC resident stockholders of the Bank are calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocable to stockholders of the Bank are based on the balance of the imputation credit accounts as of the date of dividend distribution. Thus, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

f. The Bank's income tax returns through 2012 have been examined and cleared by the tax authorities. The Bank disagreed with the tax authorities' assessment of the Bank's 2010 and 2012 amortization of goodwill, 2012 imputation credits accounts. The Bank had applied for a re-examination.

39. EARNINGS PER SHARE

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

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earnings Per Share (NT$)	
	Pretax	After Tax		Pretax	After Tax
2015					
Basic EPS					
Income for the year attributable to common stockholders	$ 3,757,415	$ 3,120,902	2,601,697	$ 1.44	$ 1.20
Bonus to employees	-	-	11,011		
Diluted EPS	$ 3,757,415	$ 3,120,902	2,612,708	$ 1.44	$ 1.19
2014					
Basic EPS					
Income for the year attributable to common stockholders	$ 3,675,554	$ 3,093,795	2,448,322	$ 1.42	$ 1.19
Bonus to employees	-	-	9,325		
Diluted EPS	$ 3,675,554	$ 3,093,795	2,457,647	$ 1.41	$ 1.19

If the Bank decides to settle the bonus to employees by cash or shares, the Bank should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating the diluted EPS. This dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The Bank's record dates for the distribution of stock dividends appropriated from the 2015 and 2014 earnings were August 22, 2015 and August 2, 2014, respectively.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses and stock dividends. This adjustment caused the basic and diluted EPS after income tax for 2013 to decrease to NT$1.19 and NT$1.19, respectively.

40. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other footnotes, significant transactions between the Bank and related parties are summarized as follows:

a. Related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Union Finance and Leasing International Corporation (UFLIC)	Subsidiary
Union Information Technology Corporation (UIT)	Subsidiary
Union Insurance Broker Company (UIB)	Subsidiary
Union Finance International (H.K.) Limited	Subsidiary
Union Securities Investment Trust Corporation (USITC)	Subsidiary
Union Capital (Cayman) Corp.	Subsidiary of UFLIC
New Asian Ventures Ltd.	Subsidiary of UFLIC
Union Capital (Singapore) Holding Pte. Ltd. (UCSH)	Subsidiary of Cayman
Kabushiki Kaisha UCJ1 (KK)	Subsidiary of UCSH
Tokutei Mokuteki Kaisha SSG15 (TMK SSG15)	Subsidiary of USCH and KK
Union Real-Estate Management Corporation	Equity-method investee of the Bank
Hung-Kou Construction Inc., Ltd. ("Hung-Kou")	Its chairman is a close relative of the Bank's director/general manager
The Liberty Times Co., Ltd. ("Liberty Times")	The Bank's director/general manager and the chairman of the board of directors are the director and supervisor, respectively, of Liberty Times
Long Shan Lin Corporation	Its chairman is a close relative of the Bank's director/general manager
Yong-Xuan Co., Ltd. ("Yong-Xuan")	Its chairman is a close relative of the Bank's director/general manager
Union Enterprise Construction Co., Ltd. (UECC)	Director of the Bank
Yu-Pang Co., Ltd. ("Yu-Pang")	Director of the Bank
Union Recreation Enterprise Corporation	Related party in substance
Others	Directors, managers and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2015

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2015	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	4	$ 2,425	$ 2,323	$ 2,323	$ -	-	None
Self-used housing mortgage loans	17	120,365	108,854	108,854	-	Real estate	None
Others	UFLIC	1,999,303	1,980,506	1,980,506	-	Land, buildings and foreign time deposits	None
Others	5	1,090,824	1,090,799	1,090,799	-	Land, plant buildings and time deposits	None

December 31, 2014

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2014	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	5	$ 2,790	$ 2,538	$ 2,538	$ -	-	None
Self-used housing mortgage loans	15	78,683	71,341	71,341	-	Real estate	None
Others	UFLIC	2,167,788	1,844,941	1,844,941	-	Land, buildings and foreign time deposits	None
Others	5	586,736	586,697	586,697	-	Land, plant, buildings and time deposits	None

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2015	$ 3,182,482	1.13	1.12%-2.94%	$ 51,001	0.50
2014	2,505,517	0.97	1.34%-2.93%	54,343	0.57

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate	Amount	%
2015	$ 5,081,204	1.20	0%-3.80%	$ 43,083	1.09
2014	5,430,728	1.37	0%-3.80%	39,643	1.08

3) Guarantees and letters of credit

December 31, 2015

Name	Highest Balance in the Year Ended December 31, 2015	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 39,874	$ 39,874	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	18,721	11,387	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.3%	Time deposits

December 31, 2014

Name	Highest Balance in the Year Ended December 31, 2014	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 39,874	$ 39,874	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	20,187	-	-	0.05%	Land and buildings
Long Shan Lin Corporation	71,040	71,040	-	0.3%	Time deposits

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

4) Securities brokerage fees

	For the Year Ended December 31	
	Amount	%
2015	$ 4,381	6.83
2014	4,085	6.06

5) Leases

a) The Bank as lessee

Under operating lease agreements with terms of one year to five years, the Bank rents from related parties office spaces for use by the Head Office, Trust, International Banking Department, Wealth Management, Information Technology Department, Consumer Banking Department, Credit Card Department, the Northern Collateral Appraisal Center, and five branches. Rentals are payable quarterly, with some contracts allowing placement with the lessors of lease deposits in lieu of rental payments. Rental expenses and lease deposits were as follows:

	Lease Deposit (Part of Other Financial Assets)		Rental Expense (Part of Other Operating Expense)	
	Amount	%	Amount	%
2015				
Yu-Pang	$ 454,291	22.83	$ 14,866	2.52
Hung-Kuo	218,768	10.99	101,275	17.14
Yong-Xuan	13,979	0.70	57,659	9.76
UECC	4,384	0.22	9,374	1.59
UFLIC	-	-	3,451	0.58
2014				
Yu-Pang	454,290	25.00	14,821	2.46
Hung-Kuo	218,760	12.04	100,675	16.70
Yong-Xuan	13,649	0.75	57,514	9.54
UECC	4,384	0.24	9,266	1.54
UFLIC	-	-	3,447	0.57

The Bank rented cars for business use from UFLIC; the rental expenses were $10,095 thousand in 2015 and $9,756 thousand in 2014. Rentals payable as of December 31, 2015 and 2014 were $59 thousand and $79 thousand, respectively.

b) The Bank as lessor

The Bank's South Taoyuan Branch, Kaohsiung Branch, Minchuan Branch, Chiayi Branch and Fucheng Branch leased part of their office premises to UFLIC under operating lease agreements starting from December 2014 to August 2019, from January 2016 to December 2020, from November 2011 to September 2017, from July 2014 to July 2019, and from June 2013 to June 2018, respectively. The leasing revenues received were $1,187 thousand and $1,126 thousand in 2015 and 2014, respectively. The lease deposits received (included in other liabilities) were $295 thousand and $295 thousand in 2015 and 2014, respectively.

6) Available-for-sale financial assets

As of December 31, 2015 and 2014, the Bank had purchased 102,564 thousand units and 97,504 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to $1,241,659 thousand and $1,213,925 thousand, respectively.

7) UIT sold computers and related materials and software and provided network services to the Bank. The purchase and service fees were $129,859 thousand in 2015 and $109,160 thousand in 2014.

8) The Bank provided insurance consulting service and sales assistance to UIB. The commission and fee revenues were $181,949 thousand in 2015 and $198,735 thousand in 2014. The commission revenues on insurance premium (included in commissions and fee revenue) were $669,646 thousand in 2015 and $454,440 thousand in 2014.

9) In July 2013, the Bank made an agreement with USITC that the Bank will have custody of the bonds issued by Lehman Brother Treasury Co. after the liquidation of asset-backed commercial paper of Taishin International Bank Co., Ltd. issued by the Land Bank of Taiwan. The custodial fees were $21 thousand in 2015 and $25 thousand in 2014.

Under the Banking Law, except for consumer and government loans, credits extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between the Bank and related parties, the terms are similar to those transacted with third parties, except for the preferential interest rates offered to Bank employees for savings and loans within prescribed amounts.

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2015	**2014**
Short-term employment benefits		
Salaries	$ 32,225	$ 29,431
Transportation expenses	1,666	1,662
	33,891	31,093
Post-employment benefits	2,246	1,987
	$ 36,137	$ 33,080

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

41. PLEDGED ASSETS

As of December 31, 2015 and 2014, government bonds and bank debentures, which amounted to $92,100 thousand and $107,400 thousand (all amounts included in other financial assets), respectively, had been provided to the courts and the Bank of Taiwan as guarantee deposits on provisional seizures against the debtors' properties, as reserve for credit card receivables, as guarantee deposits on bills finance operations, and as trust reserve. In addition, as of December 31, 2015 and 2014, negotiable certificates of deposit, which amounted to $7,400,000 thousand and $8,100,000 thousand, respectively (all amounts included in other financial assets), had been provided to the Central Bank as collateral for day-term overdraft.

As of December 31, 2015 and 2014, the Bank pledged a time deposit of $300,000 thousand and $200,000 thousand (part of other financial assets) to Mega International Commercial Bank to be part of the latter's online bank-to-bank payment system.

42. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2015 and 2014, the Bank's commitments consisted of the following:

	December 31	
	2015	**2014**
Irrevocable standby loan commitment	$ 95,989,931	$ 120,749,277
Unused credit card commitment	192,845,887	180,297,105
Unused letters of credit	741,548	966,744
Other guarantees	11,605,965	13,189,724
Collections for customers	27,068,197	24,869,977
Travelers' checks consigned-in	130,409	132,133
Guarantee notes payable	7,816,100	8,435,400
Trust assets	56,720,926	58,538,229
Marketable securities under custody	3,005,248	406,380

b. The Bank as lessee

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

As of December 31, 2015 and 2014, refundable deposits paid under operating leases were $794,021 thousand and $793,634 thousand, respectively (included in other assets - refundable deposits).

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

	December 31	
	2015	**2014**
Within 1 year	$ 396,481	$ 379,580
Over 1 year up to 5 years	1,099,096	754,928
Over 5 years	368,223	594,003
	$ 1,863,800	$ 1,728,511

c. The Bank as lessor

The Bank rents out properties under operating leases with the terms ranging between 3 and 6 years. All operating lease contracts contain market review clauses so that the lessee has an option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiration of the lease period.

As of December 31, 2015 and 2014, refundable deposits paid under operating leases were $3,678 thousand and $3,705 thousand, respectively (included in other liabilities - guarantee deposits received).

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

	December 31	
	2015	**2014**
Within 1 year	$ 9,153	$ 10,426
Over 1 year up to 5 years	6,008	13,190
	$ 15,161	$ 23,616

d. Computer equipment purchase contracts

As of December 31, 2015 and 2014, the Bank had contracts to buy computer equipment and software for $306,581 thousand and $284,797 thousand, respectively, of which $172,597 thousand and $110,951 thousand had been paid as of December 31, 2015 and 2014, respectively.

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2015

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 2,612,302	Management fee payable	$ 1
Investments		Income tax payable	126
Mutual funds	35,968,873	Marketable securities payable	6,822,229
Common stock	242,414	Trust capital	49,957,351
Short-term bills and securities purchased under resell agreements	126,627	Reserve and deficit	(58,781)
Accounts receivable	2,802		
Stock in custody	6,822,229		
Real estate - land and building	10,945,679		
Total	$ 56,720,926	Total	$ 56,720,926

Balance Sheet of Trust Accounts
December 31, 2014

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 2,810,860	Income tax payable	$ 107
Investments		Marketable securities payable	8,045,899
Mutual funds	36,510,764	Trust capital	50,528,464
Common stock	153,330	Reserve and deficit	(36,241)
Short-term bills and securities purchased under resell agreements	98,848		
Accounts receivable	2,014		
Stock in custody	8,045,899		
Real estate - land and building	10,916,514		
Total	$ 58,538,229	Total	$ 58,538,229

Income Statement of Trust Accounts
Year Ended December 31, 2015

	Amount
Trust income	
Interest revenue - demand accounts	$ 761
Interest revenue - time deposits	9,440
Interest revenue - short-term bills and securities purchased under resell agreements	390
Cash dividends	10,432
Income from beneficial certificates	418
Realized capital gain - fund	317
Unrealized capital gain - GTSM stock	5,667
Unrealized capital gain - fund	218
Other	2
Total trust income	27,645
Trust expense	
Management expense	5,803
Agency fees	67,848
Taxation	1,411
Realized capital loss - fund	174
Unrealized capital loss - GTSM stock	2,712
Unrealized capital loss - fund	840
Other	296
Total trust expense	79,084
Loss before tax	(51,439)
Income tax expense	(2,335)
Net loss	$ (53,774)

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

Income Statement of Trust Accounts
Year Ended December 31, 2014

	Amount
Trust income	
Interest revenue - demand accounts	$ 738
Interest revenue - time deposits	8,041
Interest revenue - short-term bills and securities purchased under resell agreements	403
Income from beneficial certificates	251
Realized capital gain - fund	466
Unrealized capital gain - fund	537
Other revenue - tax refund additional of interest	1
Total trust income	10,437
Trust expense	
Management expense	9,263
Taxation	28,840
Agents fee	4,222
Realized capital loss - fund	55
Unrealized capital loss - fund	707
Other	4,857
Total trust expense	47,944
Loss before tax	(37,507)
Income tax expense	(746)
Net loss	$ (38,253)

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

Trust Property and Equipment Accounts
December 31, 2015

Investment Portfolio	Amount
Bank deposits	$ 2,612,302
Investments	
Mutual funds	35,968,873
Common stock	242,414
Short-term bills and securities purchased under resell agreements	126,627
Accounts receivable	2,802
Stock in custody	6,822,229
Real estate - land and buildings	10,945,679
	$ 56,720,926

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2015.

Trust Property and Equipment Accounts
December 31, 2014

Investment Portfolio	Amount
Bank deposits	$ 2,810,860
Investments	
Mutual funds	36,510,764
Common stock	153,330
Short-term bills and securities purchased under resell agreements	98,848
Accounts receivable	2,014
Stock in custody	8,045,899
Real estate - land and buildings	10,916,514
	$ 58,538,229

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2014.

44. FINANCIAL INSTRUMENTS

a. Three-level fair value hierarchy

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

1) Level 1

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

a) All financial instruments in the market are homogeneous.

b) There are willing buyers and sellers in the market all the time.

c) The public can access the price information easily.

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

2) Level 2

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

a) Quoted prices from the similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule's differences, interested parties' prices, and the correlation of price between itself and the similar goods;

b) Quoted prices for identical or similar financial instruments in inactive markets;

c) For the marking-to-model method, the inputs to this model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;

d) Inputs that are derived from observable market data through correlation or other means.

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

3) Level 3

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

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

b. The fair value hierarchies of the Bank's financial instruments as of December 31, 2015 and 2014 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 310,264	$ 310,264	$ -	$ -
Debt instruments	153,772	-	153,772	-
Beneficial certificates	85,950	85,950	-	-
Commercial paper	5,974,371	-	5,974,371	-
Financial assets designated as at FVTPL on initial recognition	1,076,321	-	1,076,321	-
Principal guaranteed notes	827,875	-	827,875	-
Available-for-sale financial assets				
Stock	6,421,745	6,421,745	-	-
Debt instruments	14,019,946	-	14,019,946	-
Beneficial certificates	2,470,286	2,470,286	-	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	387,257	-	363,063	24,194
Liabilities				
Financial liabilities at FVTPL	54,271	-	30,081	24,190

	December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
<u>Nonderivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 131,750	$ 131,750	$ -	$ -
Debt instruments	154,538	-	154,538	-
Commercial paper	15,797,263	-	15,797,263	-
Financial assets designated as at FVTPL on initial recognition	1,362,869	-	1,362,869	-
Principal guaranteed notes	459,947	-	459,947	-
Available-for-sale financial assets				
Stock	3,048,702	3,048,702	-	-
Debt instruments	8,081,287	-	8,081,287	-
Beneficial certificates	2,569,496	2,569,496	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	466,769	-	362,359	104,410
Liabilities				
Financial liabilities at FVTPL	211,084	-	106,573	104,511

c. The financial instruments measured at fair value

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

1) Marking to market

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

a) Ensure the consistency and integrity of market data.

b) The source of market data should be transparent and easy to access and can be referred to by independent resources.

c) Listed securities with tradable prices should be valued at closing prices.

d) Evaluating unlisted securities that lack tradable closing prices should use quoted prices from independent brokers.

2) Marking to model

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

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

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

3) Transfer between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2015 and 2014.

4) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehen-sive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss Derivative financial assets	$ 104,410	$ (79,644)	$ -	$ 27,149	$ -	$ (27,721)	$ -	$ 24,194

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehen-sive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss Derivative financial assets	$ 5,848	$ 87,946	$ -	$ 30,035	$ -	$ (19,419)	$ -	$ 104,410

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehen-sive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss Derivative financial liabilities	$ 104,511	$ (78,325)	$ -	$ 34,709	$ -	$ (36,705)	$ -	$ 24,190

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 5,848	$ 85,673	$ -	$ 39,021	$ -	$ (26,031)	$ -	$ 104,511

5) The quantification information of Level 3

Item	Product	Fair Value	Valuation Technique	Significant Unobservable Inputs	Interval (Weighted-average)	Relation Between Input and Fair Value
Derivative financial Instruments						
Financial assets at fair value through profit or loss	Foreign exchange options	$ 24,194	Option pricing model	Ratio	USD/JPY 6.03%-8.71% EUR/USD 7.51%-10.05% USD/NTD 6.05%-6.95% EUR/JPY 8.95%-10.00% USD/ZAR 19.02%-19.42%	The higher the ratio is, the higher fair value
Derivative financial instruments						
Financial liabilities at fair value through profit or loss	Foreign exchange options	24,190	Option pricing model	Ratio	USD/JPY 6.03%-8.71% EUR/USD 7.51%-10.05% USD/NTD 6.05%-6.95% EUR/JPY 8.95%-10.00% USD/ZAR 19.02%-19.42%	The higher the ratio is, the higher fair value

6) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

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

d. Fair value of financial instruments that are not measured at fair value

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

1)

	December 31			
	2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Held-to-maturity financial assets	$ 4,191,245	$ 4,250,980	$ 521,266	$ 526,438
Debt instruments with no active market	51,446,515	50,826,020	45,121,992	42,295,080
Financial liabilities				
Bank debentures	9,600,000	9,805,550	7,400,000	7,560,935

2) Fair value hierarchy

Items	December 31, 2015			
	Total	Level1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 4,250,980	$ -	$ 4,250,980	$ -
Debt instruments with no active market	50,826,020	-	50,826,020	-
Financial liabilities				
Bank debentures	9,805,550	-	9,805,550	-

Items	December 31, 2014			
	Total	Level1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 526,438	$ -	$ 526,438	$ -
Debt instruments with no active market	42,295,080	-	42,295,080	-
Financial liabilities				
Bank debentures	7,560,935	-	7,560,935	-

45. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

The Board of Directors, which occupies the highest level in the Bank's risk management framework, reviews risk management policies, the overall risk management framework and organization structure for carrying out responsibilities and exercising accountability. The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division. The Risk Management Division is an independent unit that is in charge of reviewing the risk management system designed by business units and the compliance with risk management requirements; this division also submits risk management reports to the authorities and develops a series of risk management tools to assess the risks identified. Business units establish risk control procedures, manage and monitor the implementation of those controls in operation units. Operation units perform daily risk management work and internal controls to ensure the accuracy and completeness of the risk management information generated.

c. Credit risk

1) Credit risk definitions and sources

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

2) Strategy/objectives/policies and processes

a) Credit risk management strategy: The Bank has established "Credit Risk Management Standards of Union Bank of Taiwan" as the basis of planning, implementing, and managing credit risk management system.

b) Credit risk management objective: The objectives are to establish and implement an effective credit risk management mechanism to mitigate credit risk, archive operational and management goals, and balance business development and risk control.

c) Credit risk management policy: The policies are meant to ensure that credit risk falls within an acceptable range and that adequate capital is maintained to meet credit risk management objectives and create maximum risk-adjusted returns.

d) Credit risk management process: The Bank carries out credit risk identification, credit risk measurement, credit risk mitigation, credit risk monitoring and control and credit risk reporting process as part of its credit risk management mechanism.

3) Credit risk management framework

a) The Board of Directors: The Board of Directors, the top risk supervisor of the Bank, reviews risk management policies, operational risk limits and the design and change of credit risk management framework.

b) Asset/Liability Management Committee: This committee inspects management reports or information provided by business units and the Risk Management Division.

c) Risk Management Division: The Risk Management Division is an independent unit that is in charge of the work related to three pillars of Basel and reviews the risk management system designed by business units and the compliance with risk management requirements; the division also submits risk management reports to the authorities and develops risk management tools to assess the risk identified.

d) Business units: Business units are responsible for establishing risk management regulations and risk control procedures and managing and monitoring the implementation of those controls in operation units.

e) Operation units: Under the risk management regulations and procedures set by business units, operation units perform daily risk management work and internal controls and prepares reports on these tasks.

4) Credit risk measurement, control and reporting

a) The range of credit risk reporting:

i. Each business unit will regularly report the promotion of the business and the allocation of risk assets to the Assets/Liability Management Committee (ALMC).

ii. The Bank's risk management department regularly monitors the credit limit control situations and reports to the ALMC the credit concentration and the status of each business' achieving BIS (Bank for International Settlements) goals. The department also presents the volume of business NPL situation, credit concentration and the execution of credit risk control to the Board.

b) Measurement system:

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

5) Mitigation of risks or hedging of credit risk

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

6) Maximum exposure to credit risk

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

Off-Balance Sheet Items	**The Maximum Credit Exposure**	
	December 31, 2015	**December 31, 2014**
Irrevocable standby loan commitment	$ 86,283	$ 231,304
Unused letters of credit	741,548	966,744
Other guarantees	11,605,965	13,189,724
Unused credit card commitments	192,845,887	180,297,105

December 31, 2015	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	$ 223,078,844	$ -	$ -	$ 223,078,844
<u>Off-balance sheet items</u>				
Irrevocable standby loan commitment	86,283	-	-	86,283

December 31, 2014	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	$ 210,207,915	$ -	$ -	$ 210,207,915
<u>Off-balance sheet items</u>				
Irrevocable standby loan commitment	12,679	-	218,625	231,304

7) Concentrations of credit risk exposure

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

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

a) By industry

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Private enterprises	$ 70,481,556	23.87	$ 69,979,750	25.59
Public enterprises	5,000,000	1.69	4,306,000	1.57
Government organizations	36,072,659	12.22	28,801,024	10.53
Nonprofit organizations	796,650	0.27	784,346	0.29
Private organizations	180,559,645	61.14	168,054,945	61.45
Foreign enterprises	2,390,793	0.81	1,572,487	0.57
Total	295,301,303	100.00	273,498,552	100.00

b) By geographical area

The Bank’s operations are mainly in Taiwan.

c) By collaterals

	December 31, 2015		December 31, 2014	
	Amount	**%**	**Amount**	**%**
Unsecured	$ 65,049,221	22.03	$ 55,910,805	20.44
Secured				
Financial instruments	7,696,668	2.61	7,536,027	2.76
Stocks	9,477,891	3.21	8,734,316	3.19
Properties	190,828,539	64.62	179,565,252	65.65
Movables	14,523,030	4.92	12,268,583	4.49
Guarantees	5,425,905	1.84	6,726,704	2.46
Others	2,300,049	0.77	2,756,865	1.01
Total	295,301,303	100.00	273,498,552	100.00

8) Credit quality and impairment assessment

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

a) Discounts, loans and receivables

December 31, 2015	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables											
Credit card business	$ 7,885,114	$ 3,650,648	$ 37,884	$ -	$ 11,573,646	$ 169,624	$ 1,447,951	$ 13,191,221	$ 65,329	$ 40,855	$ 13,085,037
Acceptances receivable	96,869	20,051	-	-	116,920	-	-	116,920	-	296	116,624
Others	1,810,398	96,778	22,177	3,768	1,933,121	1,950	11,519	1,946,590	4,801	2,077	1,939,712
Discounts and loans	-	-	-	-	-	-	3,079	3,079	-	-	3,079
Consumer finance											
Corporate banking	88,486,237	36,695,064	19,370,083	2,871,370	147,422,754	322,914	82,543	147,828,211	42,247	1,409,061	146,376,903
	79,841,996	53,357,619	846,054	-	134,045,669	30,787	1,673,751	135,750,207	204,852	1,140,700	134,404,655

December 31, 2014	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables											
Credit card business	$ 7,089,540	$ 3,926,720	$ 51,007	$ -	$ 11,067,267	$ 145,339	$ 1,655,812	$ 12,868,418	$ 73,632	$ 49,387	$ 12,745,399
Acceptances receivable	78,690	30,903	-	-	109,593	-	-	109,593	-	217	109,376
Others	1,623,334	84,327	23,427	3,557	1,734,645	1,719	101,295	1,837,659	4,113	10,069	1,823,477
Discounts and loans											
Consumer finance	85,934,030	30,294,705	18,587,670	2,272,214	137,088,619	260,894	80,648	137,430,161	34,937	1,263,349	136,131,875
Corporate banking	72,999,666	46,899,194	839,663	91,604	120,830,127	26,357	1,912,590	122,769,074	262,887	1,005,941	121,500,246

b) Credit quality analysis of securities

December 31, 2015	Neither Past Due Nor Impaired Amount (Note)				Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With Objective Evidence of Impairment	
Available-for-sale financial assets										
Investments in bonds	$ 12,048,099	$ 1,971,847	$ -	$ 14,019,946	$ -	$ -	$ 14,019,946	$ -	$ -	$ 14,019,946
Investments in stocks	6,157,566	264,179	-	6,421,745	-	-	6,421,745	-	-	6,421,745
Others	486,334	-	1,983,952	2,470,286	-	-	2,470,286	-	-	2,470,286
Held-to-maturity financial assets										
Investments in bonds	4,191,245	-	-	4,191,245	-	-	4,191,245	-	-	4,191,245
Other financial assets										
Investments in bonds	51,446,515	-	-	51,446,515	-	234,871	51,681,386	-	234,871	51,446,515
Investments in stocks	-	-	511,514	511,514	-	-	511,514	-	-	511,514

December 31, 2014	Neither Past Due Nor Impaired Amount (Note)				Past Due But Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Investment Grade	Non-investment Grade	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With Objective Evidence of Impairment	
Available-for-sale financial assets										
Investments in bonds	$ 8,081,287	$ -	$ -	$ 8,081,287	$ -	$ -	$ 8,081,287	$ -	$ -	$ 8,081,287
Investments in stocks	2,872,617	176,085	-	3,048,702	-	-	3,048,702	-	-	3,048,702
Others	903,204	-	1,666,292	2,569,496	-	-	2,569,496	-	-	2,569,496
Held-to-maturity financial assets										
Investments in bonds	521,266	-	-	521,266	-	-	521,266	-	-	521,266
Other financial assets										
Investments in bonds	45,121,992	-	-	45,121,992	-	-	45,121,992	-	-	45,121,992
Investments in stocks	-	-	515,451	515,451	-	-	515,451	-	-	515,451

Note: The definitions are as follows:

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

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

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

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

	December 31, 2015			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit cards	$ 137,447	$ 32,177	$ -	$ 169,624
Others	1,225	725	-	1,950
Discounts and loans				
Consumer finance	243,381	79,533	-	322,914
Corporate banking	13,686	17,101	-	30,787

	December 31, 2014			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit cards	$ 111,489	$ 33,850	$ -	$ 145,339
Others	1,116	603	-	1,719
Discounts and loans				
Consumer finance	210,783	50,111	-	260,894
Corporate banking	14,082	12,275	-	26,357

10) Analysis of impairment for financial assets

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

<u>Discounts and loans</u>

Type of Impairment		December 31, 2015		December 31, 2014	
		Discounts and Loans	**Allowance for Doubtful Accounts**	**Discounts and Loans**	**Allowance for Doubtful Accounts**
With objective evidence of impairment	Assessment of individual impairment	$ 1,643,065	$ 190,639	$ 1,836,293	$ 227,055
	Assessment of collective impairment	267,966	57,972	337,726	70,769
With no objective evidence of impairment	Assessment of collective impairment	282,094,113	2,548,249	258,432,705	2,269,290

Note 1: The loans are those originated by the Bank, and are not net of the allowance for doubtful accounts and adjustments for discount (premium).

Note 2: The above loans include accrued interest receivables on loans, acceptances, guarantee payment receivables and exchange bills negotiated.

Receivables

Type of Impairment		December 31, 2015		December 31, 2014	
		Discounts and Loans	Allowance for Doubtful Accounts	Discounts and Loans	Allowance for Doubtful Accounts
With objective evidence of impairment	Individually assessed for impairment	$ 7,129	$ 3,313	$ 26,892	$ 3,803
	Collectively assessed for impairment	1,447,952	65,329	1,655,812	73,632
With no objective evidence of impairment	Collectively assessed	11,740,073	44,716	11,209,700	59,983

Note 1: The receivables are those originated by the Bank, and are not net of the allowance for doubtful accounts and adjustments for discount (premium).

Note 2: The above receivables and allowances exclude accrued interest receivables on loans, acceptances, guarantee payments receivables, nondelivery receivables and option payments receivable, etc.

11) Analysis of impairment for financial assets

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

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

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

b) In making internal transfer pricing, performance evaluation and new product development decisions, the operation units take liquidity cost and product effectiveness and risks into consideration and align their decisions with the Bank's overall liquidity risk management policies.

c) The fund procurement department implements funding strategies in accordance with the conservatism principle to diversify the funding sources and negotiate reasonable repayment periods to ensure continuing participation in the lending market, and maintains a close relationship with fund providers to strengthen financing channels and ensure the stability and reliability of fund sources.

d) To strengthen liquidity risk management, the Bank has regulations requiring the daily execution of risk management procedures and the monitoring of implementation to maintain sufficient liquidity.

e) The risk management units report the Bank's liquidity position to the Asset/Liability Management Committee monthly and report the Bank's liquidity risk management to the Board of Directors regularly.

3) The liquidity risk analysis of the cash inflow and outflow of assets and liabilities held for liquidity risk refers to the amounts of the obligations for the remaining maturity periods, i.e., from the reporting date to the contract maturity dates. The maturity analysis of financial assets and liabilities was as follows:

a) The maturity analysis of financial liabilities

	December 31, 2015					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Call loans and due to banks	$ 1,746,871	$ 346,540	$ 1,042,280	$ 28,300	$ -	$ 3,163,991
Securities sold under repurchase agreements	26,657,149	285,006	44,781	-	-	26,986,936
Payables	2,218,582	1,163,411	477,083	114,679	17,787	3,991,542
Deposits and remittance	33,622,587	42,911,683	68,683,111	113,340,860	163,275,953	421,834,194
Bank Debentures	-	-	-	900,000	8,700,000	9,600,000
Other liabilities	13,769	709	1,064	2,127	88,656	106,325

	December 31, 2014					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Call loans and due to banks	$ 2,109,785	$ 1,723,559	$ 2,092,100	$ 239,300	$ -	$ 6,164,744
Securities sold under repurchase agreements	24,425,196	7,366,080	-	-	-	31,791,276
Payables	3,884,307	1,068,292	381,122	105,488	16,862	5,456,071
Deposits and remittance	36,634,933	45,579,871	61,507,310	101,328,175	151,360,143	396,410,432
Bank Debentures	-	-	-	-	7,400,000	7,400,000
Other liabilities	15,313	1,331	1,996	3,992	94,079	116,711

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

	December 31, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	$ 2,652,738	$ 1,301,374	$ 1,218,336	$ 386,256	$ -	$ 5,558,704
Cash inflow	2,640,814	1,297,048	1,196,827	377,441	-	5,512,130
	11,924	4,326	21,509	8,815	-	46,574
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	1,325	-	-	-	-	1,325
	$ 13,249	$ 4,326	$ 21,509	$ 8,815	$ -	$ 47,899

	December 31, 2014					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	$ 102,253,801	$ 1,879,357	$ 425,042	$ 137,374	$ -	$ 104,695,574
Cash inflow	102,172,972	1,897,756	430,151	134,831	-	104,635,710
	80,829	(18,399)	(5,109)	2,543	-	59,864
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 80,829	$ (18,399)	$ (5,109)	$ 2,543	$ -	$ 59,864

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

	December 31, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	$ (3,490)	$ (769)	$ (1,504)	$ 6,474	$ -	$ 711

	December 31, 2014					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	$ 1,361	$ 2,231	$ 53,641	$ 22,802	$ -	$ 80,035

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and processes

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

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

a) Risk identification: For balance sheet and off-balance sheet items, the Bank identifies and assesses market risk factors of products and the investment business and subjects them to risk management, monitoring and control procedures.

b) Risk measurement: In principle, each investment or transaction has at least one risk measurement tool - such as sensitivity analysis, value at risk and stress testing, which can be applied to variables, such as fair market value and notional amounts, to quantify market risk.

c) Risk monitoring and control: Each operation unit observes the risk limit regulation stated in its operating manual and regularly monitors risk control. The department of risk management is responsible for summarizing and reporting the Bank's overall market risk monitoring.

d) Risk reporting: The risk management reports are classified as regular report, over-limit report and exception report. Regular reports are the management statements sent to the appropriate level in accordance with certain requirements. Over-limit reports are about situations in which risk limits are exceeded. Exception reports contain operation units' recommendations on how to meet temporary business needs.

e) Risk mitigation: An operation unit may take certain action to reduce risk, such as hedging, investment combination adjustment, position adjustment, setting a break-even point, halting new transactions, etc.

3) Market risk management framework

a) The Board of Directors: The Board of Directors, the Bank's top market risk supervisor, reviews risk management policies, operational risk limits and the design and change of the credit risk management framework.

b) Asset/Liability Management Committee: The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division.

c) Risk Management Division: The Risk Management Division is an independent unit in charge of the work related to three pillars of Basel and of the development of market risk management tools to assess and control the risk identified through setting risk limits.

d) Operation units: Operation units perform daily market risk management work and report the market risk of investment positions and related information to the authorities.

4) Market risk measurement, control and reporting

a) The market risk of the trading book financial instruments is measured in accordance with the fair market value or evaluation model and the profit and loss situation is evaluated regularly.

b) The business units and the risk management division prepares management reports periodically and report to the appropriate level.

c) The market risk management system combines the evaluation of the front and middle offices to generate information that will assist management in risk monitoring. Moreover, the system supports the capital accrual method being used by the Bank through generating internal and external reports for management's decision, making.

5) Market risk measurement of trading book

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

6) Banking book market risk

a) Interest rate risk

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

The earnings viewpoint mainly emphasizes the impact of interest rates on earnings, especially short-term earnings. For 2015 and 2014, assuming all market risk indicators, except interest rates, remained constant, an interest rate increase or decrease by 100bps would result in an increase or decrease in profit before tax by $192,597 thousand and $219,359 thousand, respectively.

b) Exchange rate risk

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

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

7) Foreign currency rate risk information

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

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

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 2,035,384	33.066	$ 67,302,005
JPY	4,601,991	0.2747	1,264,287
GBP	3,473	49.0501	170,371
AUD	97,214	24.1712	2,349,785
HKD	103,533	4.2664	441,715
CAD	14,106	23.8399	336,283
CNY	660,206	5.0326	3,322,531
SGD	2,114	23.4162	49,504
ZAR	671,410	2.1257	1,427,247
CHF	65	33.4304	2,172
THB	127	0.1962	116
NZD	23,922	22.6800	542,552
EUR	5,220	36.1478	188,697

(Continued)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
USD	$ 1,706,941	33.066	$ 56,441,712
JPY	8,049,966	0.2747	2,211,535
GBP	3,380	49.0501	165,784
AUD	96,993	24.1712	2,344,438
HKD	103,767	4.2664	442,714
CAD	14,101	23.8399	336,167
CNY	663,883	5.0326	3,341,036
SGD	2,194	23.4162	51,383
ZAR	670,084	2.1257	1,424,428
CHF	2,020	33.4304	67,526
NZD	23,923	22.6800	542,583
EUR	34,069	36.1478	1,231,525

(Concluded)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 1,875,170	31.718	$ 59,476,642
JPY	4,658,552	0.2651	1,235,141
GBP	3,387	49.3564	167,189
AUD	88,267	25.9644	2,291,804
HKD	101,744	4.0897	416,106
CAD	9,239	27.3219	252,420
CNY	823,061	5.1034	4,200,390
SGD	1,826	23.9870	43,810
ZAR	668,814	2.7400	1,832,535
CHF	278	32.0546	8,921
THB	15	0.9641	15
NZD	21,799	24.8574	541,857
EUR	21,235	38.5532	818,663
Financial liabilities			
USD	1,498,559	31.718	47,531,279
JPY	6,576,426	0.2651	1,743,634
GBP	3,397	49.3564	167,644
AUD	87,872	25.9644	2,281,542
HKD	101,775	4.0897	416,235
CAD	9,324	27.3219	254,746
CNY	846,139	5.1034	4,318,164
SGD	1,810	23.9870	43,426
ZAR	668,576	2.7400	1,831,883
CHF	272	32.0546	8,725
NZD	21,795	24.8574	541,765
EUR	21,350	38.5532	823,129

f. Transfers of financial assets.

Most of the transferred financial assets of the Bank that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right on cash flow of the transferred financial assets would be transferred to other entities and the associated liabilities of the Bank's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Bank is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that are not derecognized in their entirety and the associated financial liabilities are as following:

December 31, 2015					
Category of Financial Assets	**Carrying Amount of Transferred Financial Asset**	**Carrying Amount of Associated Financial Liability**	**Fair Value of Transferred Financial Asset**	**Fair Value of Associated Financial Liability**	**Fair Value of Net Position**
Financial instruments at fair value through profit or loss					
Securities sold under repurchase agreements	$ 5,080,161	$ 5,095,828	$ 5,080,161	$ 5,095,828	$ (15,667)
Available-for-sale financial assets					
Securities sold under repurchase agreements	3,456,421	3,704,808	3,456,421	3,704,808	(248,387)
Debt instruments with no active market					
Securities sold under repurchase agreements	25,051,288	18,186,300	23,710,308	18,186,300	5,524,008

g. Offsetting financial assets and financial liabilities.

The Bank is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2015						
Financial Assets	**Gross Amount of Recognized Financial Asset (a)**	**Gross Amount of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amount of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instrument	**Cash Collateral Pledged**	
Derivatives	$ 387,257	$ -	$ 387,257	$ 12,291	$ -	$ 374,966

December 31, 2015						
Financial Liabilities	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amount of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial instrument	**Cash Collateral Pledged**	
Derivatives	$ 54,271	$ -	$ 54,271	$ 1,634	$ -	$ 52,637

December 31, 2014						
Financial Assets	**Gross Amount of Recognized Financial Asset (a)**	**Gross Amount of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amount of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instrument	**Cash Collateral Pledged**	
Derivatives	$ 466,769	$ -	$ 466,769	$ 36,548	$ -	$ 430,221

December 31, 2014						
Financial Liabilities	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amount of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial instrument	**Cash Collateral Pledged**	
Derivatives	$ 211,084	$ -	$ 211,084	$ 45,233	$ -	$ 165,851

46. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

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

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

Items (Note 2) / **Year**			**December 31, 2015**	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common equity Tier 1 Ratio		$ 28,573,380	$ 28,573,960
	Other Tier 1 capital		-	-
	Tier 2 capital		7,817,292	10,537,483
	Eligible capital		36,390,672	39,111,443
Risk-weighted assets	Credit risk	Standard	232,385,234	240,019,853
		Internal rating-based approach	-	-
		Asset securitization	1,227,133	1,227,133
	Operational risk	Basic indicator approach	16,711,475	19,034,288
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	25,658,013	26,975,300
		Internal model approach	-	-
	Total risk-weighted assets		275,981,855	287,256,574
Capital adequacy rate			13.19%	13.62%
Ratio of common stockholders' equity to risk-weighted assets			10.35%	9.95%
Ratio of Tier 1 capital to risk-weighted assets			10.35%	9.95%
Leverage ratio			5.28%	5.21%

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

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity Tier 1 capital + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of Common equity Tier 1 capital to risk-weighted assets = Common equity Tier 1 capital ÷ Risk-weighted assets.

5) Ratio of Other Tier 1 capital to risk-weighted assets = Other Tier 1 capital ÷ Risk-weighted assets.

6) Leverage ratio = Common equity Tier 1 capital ÷ Exposure Measurement

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

Items (Note 2)		**Year**	**December 31, 2014**	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common equity Tier 1 Ratio		26,380,471	26,284,281
	Other Tier 1 capital		-	-
	Tier 2 capital		6,462,888	9,094,428
	Eligible capital		32,843,359	35,378,709
Risk-weighted assets	Credit risk	Standard	214,775,638	222,043,054
		Internal rating-based approach	-	-
		Asset securitization	1,262,627	1,262,627
	Operational risk	Basic indicator approach	15,555,738	17,986,163
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	17,206,850	18,233,988
		Internal model approach	-	-
	Total risk-weighted assets		248,800,853	259,525,832
Capital adequacy rate			13.20%	13.63%
Ratio of common stockholders' equity to risk-weighted assets			10.60%	10.13%
Ratio of Tier 1 capital to risk-weighted assets			10.60%	10.13%
Leverage ratio			4.49%	4.41%

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

Note 2: Formulas used were as follows:

1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.

5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.

6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.

7) Ratio of common stock to total assets = Common stock ÷ Total assets.

8) Leverage ratio = Tier 1 capital ÷ Adjusted average assets (average assets minus goodwill, unamortized loss from the sale of nonperforming loans, and items to be subtracted from Tier 1 capital which are covered by the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

The Banking Law and related regulations require that the Bank maintain its unconsolidated and consolidated CARs at a minimum of 8.0%, the Tier 1 Capital Ratio at a minimum of 6.0% and the Common Equity Tier 1 Ratio at a minimum of 4.5%. In addition, if the Bank's CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

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

Union Bank of Taiwan

a. Credit risk

1) Asset quality

See Table 4.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2015			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group O - financial intermediation	$ 2,290,000	6.56
2	Company K - real estate development	2,077,000	5.95
3	Company B - other financial intermediation	1,980,506	5.68
4	Group D - real estate development	1,814,177	5.20
5	Group U - real estate development	1,613,000	4.62
6	Company E - real estate development	1,035,320	2.97
7	Company H - retail sale of other food and beverages	858,800	2.46
8	Company Z - real estate development	820,000	2.35
9	Group Q - the telecommunications market	699,898	2.01
10	Company P - renting and leasing of other transport equipment	620,914	1.78

(In Thousands of New Taiwan Dollars, %)

December 31, 2014			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group F - manufacture of chemical material	$ 3,650,000	11.39
2	Group O - financial intermediation	2,515,000	7.85
3	Group D - real estate development	2,230,604	6.96
4	Company B - other financial intermediation	1,844,941	5.76
5	Company K - real estate development	1,765,000	5.51
6	Group U - real estate development	1,495,500	4.67
7	Company J - other financial intermediation	1,000,000	3.12
8	Company Z - real estate development	820,000	2.56
9	Company E - real estate development	680,000	2.12
10	Company L - telephone and manufacturing	634,360	1.98

b. Market risk

Interest Rate Sensitivity
December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 340,390,369	$ 6,676,016	$ 8,959,094	$ 38,623,836	$ 394,649,315
Interest rate-sensitive liabilities	171,282,700	139,934,765	67,039,401	21,213,230	399,470,096
Interest rate-sensitive gap	169,107,669	(133,258,749)	(58,080,307)	17,410,606	(4,820,781)
Net worth					28,318,921
Ratio of interest rate-sensitive assets to liabilities					98.79%
Ratio of interest rate sensitivity gap to net worth					(17.02%)

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 341,924,166	$ 6,026,273	$ 6,993,835	$ 28,252,745	$ 383,197,019
Interest rate-sensitive liabilities	183,108,590	132,939,459	56,783,846	14,285,834	387,117,729
Interest rate-sensitive gap	158,815,576	(126,913,186)	(49,790,011)	13,966,911	(3,920,710)
Net worth					22,688,214
Ratio of interest rate-sensitive assets to liabilities					98.99%
Ratio of interest rate sensitivity gap to net worth					(17.28%)

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank’s Head Office and branches (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity
December 31, 2015

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 317,212	$ 60,169	$ 210,731	$ 1,653,907	$ 2,242,019
Interest rate-sensitive liabilities	874,159	493,844	314,260	-	1,682,263
Interest rate-sensitive gap	(556,947)	(433,675)	(103,529)	1,653,907	559,756
Net worth					243,703
Ratio of interest rate-sensitive assets to liabilities					133.27%
Ratio of interest rate sensitivity gap to net worth					229.69%

December 31, 2014

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 501,353	$ 86,078	$ 256,094	$ 1,318,138	$ 2,161,663
Interest rate-sensitive liabilities	1,110,726	518,695	227,248	-	1,856,669
Interest rate-sensitive gap	(609,373)	(432,617)	28,846	1,318,138	304,994
Net worth					340,456
Ratio of interest rate-sensitive assets to liabilities					116.43%
Ratio of interest rate sensitivity gap to net worth					89.58%

Note 1: The above amounts included only U.S. dollar amounts held by the Bank's Head Office, domestic branches, OBU and overseas branches and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

c. Liquidity risk

1) Profitability

(%)

Items		Year Ended December 31, 2015	Year Ended December 31, 2014
Return on total assets	Before income tax	0.76	0.80
	After income tax	0.63	0.67
Return on equity	Before income tax	11.23	12.16
	After income tax	9.33	10.23
Net income ratio		32.44	34.96

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2015 and 2014.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2015

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 431,591,750	$ 113,386,805	$ 37,355,636	$ 34,370,648	$ 70,907,801	$ 175,570,860
Main capital outflow on maturity	518,276,838	56,588,866	53,509,719	67,062,795	138,934,077	202,181,381
Gap	(86,685,088)	56,797,939	(16,154,083)	(32,692,147)	(68,026,276)	(26,610,521)

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 418,547,928	$ 136,874,790	$ 18,241,065	$ 37,960,366	$ 58,060,030	$ 167,411,677
Main capital outflow on maturity	523,943,968	68,899,444	64,337,213	76,586,325	130,924,133	183,196,853
Gap	(105,396,040)	67,975,346	(46,096,148)	(38,625,959)	(72,864,103)	(15,785,176)

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

Maturity Analysis of Assets and Liabilities
December 31, 2015

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 2,525,740	$ 507,795	$ 39,251	$ 86,615	$ 208,800	$ 1,683,279
Main capital outflow on maturity	2,525,683	1,154,159	161,841	635,230	330,450	244,003
Gap	57	(646,364)	(122,590)	(548,615)	(121,650)	1,439,276

December 31, 2014

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,041,730	$ 1,120,262	$ 202,175	$ 92,699	$ 261,342	$ 1,365,252
Main capital outflow on maturity	3,041,680	1,287,046	526,655	653,823	233,672	340,484
Gap	50	(166,784)	(324,480)	(561,124)	27,670	1,024,768

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

48. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and its investees:

a. Related information of significant transactions and investees and (b) proportionate share in investees:

1) Financing provided to other parties: The Bank - not applicable; investee - Table 1 (attached)

2) Endorsement/guarantee provided: The Bank - not applicable; investee: None

3) Marketable securities held: The Bank - not applicable; investee - Table 2 (attached)

4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: Table 3 (attached)

9) Sale of nonperforming loans: None

10) Asset securitization under the “Regulations for Financial Asset Securitization”: None

11) Other significant transactions which may affect the decisions of users of financial reports: Table 4 (attached)

12) Names, locations and other information of investees on which the Bank exercises significant influence: Table 5 (attached)

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

49. INFORMATION SEGMENTS

The Bank has disclosed the segment information in the consolidated financial statements. Thus, no segment information is presented herein.

TABLE 1

UNION BANK OF TAIWAN

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
												Item	Value		
1	Union Financial and Leasing International Corporation	Union Capital (Cayman) Corp.	Affiliates of receivable	$ 521,806 (JPY 1,899,370)	$ 521,806 (JPY 1,899,370)	$ 521,806 (JPY 1,899,370)	1.5	Short-term financing	$ -	Purchase operating leasing assets	$ -	-	$ -	$ 986,351	$ 986,351
2	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Affiliates of receivable	1,013,671 (JPY 3,689,755)	1,013,671 (JPY 3,689,755)	1,013,671 (JPY 3,689,755)	1.5	Short-term financing	-	Purchase operating leasing assets	-	-	-	2,465,877	2,465,877
3	Union Capital (Singapore) Holding PTE. LTD.	Union Finance (HK) Ld. International	Affiliates of receivable	198,396 (US$ 6,000)	198,396 (US$ 6,000)	198,396 (US$ 6,000)	2.0	Short-term financing	-	Workin capital turnover	-	-	-	2,465,877	2,465,877
4	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Affiliates of receivable	381,443 (JPY 1,388,450)	381,443 (JPY 1,388,450)	381,443 (JPY 1,388,450)	1.5-2.75	Short-term financing	-	Purchase operating leasing assets	-	-	-	2,465,877	2,465,877

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars and Foreign Currency, Unless Stated Otherwise)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	Stock							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	900	$ 8,429	0.06	$ 8,429	Note 4
	China Chemical Corporation	-	Available-for-sale financial assets	356	7,039	0.12	7,039	Note 4
	Hey-Song Corporation	-	Available-for-sale financial assets	3,881	121,669	0.97	121,669	Note 4
	CTBC Financial Holding Co., Ltd.	-	Available-for-sale financial assets	4,183	70,690	0.023	70,690	Note 4
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	505,405	100.00	505,405	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	80,755	100.00	80,755	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33	7,257	Note 1
	Beneficial certificates							
	Union Advantage Global FI Portfolio Fund	-	Available-for-sale financial assets	6,610	102,648		102,648	Note 4
	Union Emerge Res-rich Countries HYBd B	-	Available-for-sale financial assets	1,386	20,012		20,012	Note 4
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Unquoted equity instruments	2,646	28,779	14.70	36,744	Note 3
Union Securities Investment Trust Corporation (USITC)	Beneficial certificates							
	Union Advantage Global FI Portfolio Fund	-	Financial assets at fair value through profit or loss	1,068	16,581		16,581	-
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	1,297	15,335		15,335	-
	Union Emerging Asia Bond A	-	Financial assets at fair value through profit or loss	486	5,437		5,437	-
	Union Money Market	-	Financial assets at fair value through profit or loss	1,459	19,036		19,036	-
	Union Golden Balance Fund	-	Financial assets at fair value through profit or loss	575	8,309		8,309	-
	Union Emerg Res-rich Countries HYBd A	-	Financial assets at fair value through profit or loss	800	7,928		7,928	-
	Union China	-	Financial assets at fair value through profit or loss	1,006	17,920		17,920	-
	Union Technology Fund	-	Financial assets at fair value through profit or loss	1,460	11,447		11,447	-
	Union APEC Balanced A	-	Financial assets at fair value through profit or loss	1,001	11,349		11,349	-
	Union Global ETF Fund	-	Financial assets at fair value through profit or loss	513	5,063		5,063	-
Union Finance International (HK) Limited	Bond							
	HBOS Capital Funding LP	-	Available-for-sale financial assets	900	US$ 913		US$ 913	Note 4
	PHBS Ltd.	-	Available-for-sale financial assets	500	US$ 501		US$ 501	Note 4
	Stock							
	ING Group N.V.	-	Available-for-sale financial assets	33	US$ 858		US$ 858	Note 4
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	20	US$ 2,148		US$ 2,148	Note 4
	Merck & Co., Inc.	-	Financial assets at fair value through profit or loss	12	US$ 618		US$ 618	Note 4

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US$ 376		US$ 376	Note 4
	Penn West Energy	-	Financial assets at fair value through profit or loss	119	US$ 99		US$ 99	Note 4
New Asian Ventures Ltd.	Stock							
	Grace T.H.W. Holding Limited	-	Unquoted equity instruments	1,667	$ 64,320	0.74	US$ 2,157	Note 2
Union Capital (Cayman) Corp.	Beneficial certificates							
	Union Capital (Singapore) Holding PTE. LTD.	Subsidiary	Equity investment - equity method	-	JPY 50,113	100.00	JPY 50,113	Note 5
Union Capital (Singapore) Holding PTE. LTD.	Beneficial certificates							
	Kabushiki Kaisha UCJ1	Subsidiary	Equity investment - equity method	9	JPY 490,248	100.00	JPY 490,248	Note 5
	Tokutei Mokuteki Kaisha SSG15	Subsidiary	Equity investment - equity method	Note 6	JPY 769,815	49.00	JPY 769,815	Note 5
Kabushiki Kaisha UCJ1	Beneficial certificates							
	Tokutei Mokuteki Kaisha SSG15	Subsidiary	Equity investment - equity method	Preferred stock 15	JPY 801,184	51.00	JPY 801,184	Note 5

The Bank's investees had investments in companies with shares having no quoted market prices. The net asset values of these companies were based on the following:

Note 1: Union Finance and Leasing International Corporation:

a. ERA Communications Co., Ltd. - the audited statements of stockholders' equity as of December 31, 2014.
b. New Asian Ventures Ltd. and Union Capital (Cayman) Corp. - the audited statements of stockholders' equity as of December 31, 2015.

Note 2: New Asian Ventures Ltd.:

Grace T.H.W. Holding Limited - unaudited statements of stockholders' equity as of December 31, 2015.

Note 3: Union Information Technology Corporation:

ELTA Technology Co., Ltd. - unaudited statements of stockholders' equity as of December 31, 2015.

Note 4: The market values of the listed and OTC stocks included in financial assets at fair value through profit or loss and available-for-sale financial assets were based on the daily closing prices as of balance sheet date. The market values of beneficial certificates were based on net asset values as of the balance sheet date.

Note 5: Union Capital (Singapore) Holding PTE. LTD, Kabushiki Kaisha UCJ1 and Tokutei Mokuteki Kaisha SSG15 - audited statements of stockholders' equity as of September 30, 2015.

Note 6: Common stock 1 shares and preferred stock 14 thousand shares.

(Concluded)

TABLE 3

UNION BANK OF TAIWAN

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Union Finance and Leasing International Corporation	Union Capital (Cayman) Corp.	Subsidiary	$ 521,806 (JPY 1,899,370)	-	$ -	-	$ -	$ -
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding PTE. LTD.	Subsidiary	1,013,671 (JPY 3,689,755)	-	-	-	-	-
Union Capital (Singapore) Holding PTE. LTD.	Kabushiki Kaisha UCJ1(Japan)	Subsidiary	381,443 (JPY 1,388,450)	-	-	-	-	-

UNION BANK OF TAIWAN

ASSET QUALITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2015				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 39,649	$ 74,565,431	0.05%	$ 1,344,263	2,641.51%
	Unsecured		11,241	61,346,112	0.02%		
Consumer banking	Housing mortgage (Note 4)		49,720	118,445,483	0.04%	1,171,511	2,356.22%
	Cash card		922	82,809	1.11%	3,498	379.39%
	Small scale credit loans (Note 5)		29,674	11,381,172	0.26%	112,568	379.35%
	Other (Note 6)	Secured	20,229	15,049,965	0.13%	165,020	793.37%
		Unsecured	571	2,707,446	0.02%		
Loan			152,006	283,578,418	0.05%	2,796,860	1,839.97%
			Nonperforming Receivable (Note 1)	Receivable	Ratio of Nonperforming Receivable	Allowance for Possible Losses	Coverage Ratio
Credit cards			39,683	12,960,796	0.31%	106,184	267.58%
Accounts receivable factored without recourse (Note 7)			-	-	-	-	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."
Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Items / Types	December 31, 2015	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 77,862	$ 325,792
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	56,829	857,944
Total	134,691	1,183,736

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

(Continued)

<table>
<tr><th colspan="3">Period</th><th colspan="5">December 31, 2014</th></tr>
<tr><th colspan="3">Items</th><th>Nonperforming Loan (Note 1)</th><th>Loan</th><th>Ratio of Nonperforming Loan (Note 2)</th><th>Allowance for Possible Losses</th><th>Coverage Ratio (Note 3)</th></tr>
<tr><td rowspan="2">Corporate banking</td><td colspan="2">Secured</td><td>$ 91,241</td><td>$ 68,956,431</td><td>0.13%</td><td rowspan="2">$ 1,267,128</td><td rowspan="2">1,020.89%</td></tr>
<tr><td colspan="2">Unsecured</td><td>32,878</td><td>53,812,643</td><td>0.06%</td></tr>
<tr><td rowspan="5">Consumer banking</td><td colspan="2">Housing mortgage (Note 4)</td><td>58,055</td><td>113,818,594</td><td>0.05%</td><td>1,079,016</td><td>1,858.61%</td></tr>
<tr><td colspan="2">Cash card</td><td>1,508</td><td>116,389</td><td>1.30%</td><td>4,697</td><td>311.47%</td></tr>
<tr><td colspan="2">Small scale credit loans (Note 5)</td><td>23,240</td><td>8,851,061</td><td>0.26%</td><td>83,909</td><td>361.05%</td></tr>
<tr><td rowspan="2">Other (Note 6)</td><td>Secured</td><td>16,587</td><td>12,440,740</td><td>0.13%</td><td rowspan="2">132,364</td><td rowspan="2">795.36%</td></tr>
<tr><td>Unsecured</td><td>55</td><td>2,203,377</td><td>-</td></tr>
<tr><td colspan="3">Loan</td><td>223,564</td><td>260,199,235</td><td>0.09%</td><td>2,567,114</td><td>1,148.27%</td></tr>
<tr><th colspan="3"></th><th>Nonperforming Receivable (Note 1)</th><th>Receivable</th><th>Ratio of Nonperforming Receivable</th><th>Allowance for Possible Losses</th><th>Coverage Ratio</th></tr>
<tr><td colspan="3">Credit cards</td><td>33,603</td><td>12,611,962</td><td>0.27%</td><td>123,019</td><td>366.10%</td></tr>
<tr><td colspan="3">Accounts receivable factored without recourse (Note 7)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."
Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

<u>Not reported as nonperforming loans or nonperforming receivables</u>

<table>
<tr><th rowspan="2">Items
Types</th><th colspan="2">December 31, 2014</th></tr>
<tr><th>Not Reported as Nonperforming Loan</th><th>Not Reported as Nonperforming Receivable</th></tr>
<tr><td>Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)</td><td>$ 106,998</td><td>$ 451,394</td></tr>
<tr><td>Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)</td><td>59,687</td><td>926,859</td></tr>
<tr><td>Total</td><td>166,685</td><td>1,378,253</td></tr>
</table>

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

(Concluded)

UNION BANK OF TAIWAN

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEES
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees				Note
						Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (Thousands)	Percentage of Ownership (%)	
Financial-related										
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	$ 2,465,877	$ 131,849	94,000		94,000	100.00	Note 1
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	72,379	(11,435)	30,000		30,000	99.99	Note 1
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00	140,135	9,704	10,500		10,500	35.00	Note 1
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00	43,562	27,983	500		500	100.00	Note 1
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99	26,182	11,729	1,000		1,000	99.99	Note 1
Ipass Corporation	Kaohsiung	IC card	17.52	123,320		13,000		13,000	17.52	
Taiwan Gin Lian Asset Management Corporation	Taipei	Purchase, sale and management of nonperforming loans from financial institutions	0.57	75,000		7,500		7,500	0.57	
Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	50,000		5,000		5,000	2.94	
Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53	20,055		2,103		2,103	0.53	
Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44	3,864		386		386	6.44	
Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	2,113		160		160	0.81	
Financial Information Service Co., Ltd.	Taipei	Information service	2.39	118,782		12,498		12,498	2.39	
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.24	13,916		815		815	0.24	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	1.99	71,250		5,906		5,906	1.99	
Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	6,000		600		600	1.00	
Nonfinancial-related										
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	53,794	(389)	2,000		2,000	40.00	Note 1
Fu Hua Venture Corporation	Taipei	Investments	5.00	13,152		1,320		1,320	5.00	
Li Yu Venture Corporation	Taipei	Investment	4.76	6,437		855		855	4.76	
Lian An Service Corporation	Taipei	Security service	5.00	1,501		125		125	5.00	
Taiwan Power Corporation	Taipei	Electricity-related business	0.0012	6,124		395		395	0.0012	

Note 1: The investees' information shown above is based on audited financial reports as of December 31, 2015.

Note 2: Pro forma shares are considered if equity securities - convertible bonds, warrants, etc. - or derivative contracts such as stock options, are converted to shares.