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This Annual Report may be accessed on the Market Observation Post System (<http://newmops.tse.com.tw>) and on the Bank's Website (<http://www.ubot.com.tw>)

The English version of annual report is a brief translation and is not part of official document of the shareholder's meeting.

The Chinese version shall prevail if there is any difference between these two.

2014 Annual Report





I. Spokesman

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Second Spokesman

Name: Mr. Yanger Yang / Title: Department Manager

Tel.: 02-27180001

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

Please refer to page 148 ~151.

III. Stock Registration Office

Name: MasterLink Securities Corp.

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

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

Tel: (02) 2768-6688

IV. Credit Ratings Institution

Name: Taiwan Ratings Corp.

Homepage: <http://www.taiwanratings.com.tw>

Address: 49F, No.7, Hsin-Yi Rd., Sec. 5, Taipei, Taiwan

Tel.: (02) 8722-5800

V. CPA for Financial Statement Auditing

Name: Mr. Terence Huang / Mr. Vincent Cheng

Company: T N Soong & Co and Deloitte & Touche

Homepage: <http://www.deloitte.com.tw>

Address: 12F, No.156, Minsheng E. Rd., Sec. 3, Taipei, Taiwan

Tel.: (02) 2545-9988

VI. Offshore marketable securities exchange company and transaction information: None

VII. Homepage: <http://www.ubot.com.tw>


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1. Results of Operation for 2014

(1) Domestic and International Financial Environment

The global economy recovered in 2014, though the recovery strength was less than the expected, primarily because the performance of main economies varied, among which the performance of the US economy was better, but that of Eurozone and Japan was weak. Therefore, the monetary policies in these main economies varied, which thereby resulted in increase in fluctuation in international financial markets. Recently, the international oil price dropped significantly, the inflation in many countries became sluggish, and the economic prospects remained uncertain. Most of the international organizations modified their global economic growth forecast downward in 2015. Notwithstanding, the forecast was still higher than that in 2014.

Backed up by the stable international economic recovery, the economic growth remained mild in Taiwan. Meanwhile, benefited from funding by foreign investment, the TWSE stock rose. This was helpful to raise the investment income of the banking industry. Notwithstanding, upon implementation of the banking industry's enhanced house loan risk control measures in Taiwan, the centralization of real estate loans declined, and the percentages for the purchase of homes in specific districts and the loans for luxury houses dropped, while the interest rate on house loans increased, which was helpful for the banking industry in Taiwan to well found its operation and promote financial stability.

(2) Changes in Bank Organization

The Bank now operates 90 domestic branches with the addition of a new branch in 2014.

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

Thanks to the dedication of our employees, the Bank is pleased to report outstanding performance across the various areas of business in 2014. With regard to profitability, the Bank reported an after-tax net income of NT\$ 3.094 billion for the year ended December 31, 2014, representing a growth of 7.88% against 2013; earnings per share (EPS) was NT\$1.26, return on assets (ROA) was 0.67% and return on equity (ROE) was 10.23%; The Bank was able to maintain sound asset quality, reporting an NPL ratio of 0.09% and bad debt coverage ratio of 1102.08%.

For many years now, the Bank has developed its various business based on the strategies of maintaining consistent growth and dedicating to cultivation of local business. On January 19, 2015, Taiwan Ratings Corp awarded our Bank its long- and short-term issuer credit rating for "twA" and "twA-1" respectively, and the outlook on the long-term rating is stable. Overall, the Bank's operating status, capital and profitability standing and asset quality are well recognized. The Bank also

Letter to Shareholders

outperformed the indigenous banks average on several other indicators.

(4) Revenue/Expenditure and Profitability

For the year ended December 31, 2014, the Bank reported a net interest income of NT\$ 6.026 billion, net non-interest income of NT\$2.824 billion and net profit of NT\$ 8.850 billion, representing an increase of NT\$0.371 billion or 4.38% against NT\$8.479 billion for the previous year; after adding reversal of bad debts totaling NT\$495 million and deducting operating expenses totaling NT\$5.669 billion, the before-tax income amounted to NT\$3.676 billion for year 2014, which represents an increase of NT\$337 million or 10.09% against 2013's.

2. Credit Rating

Rating Agency	Date of Rating	Rating Results		Outlook
Taiwan Ratings Corporation	Jan. 19, 2015	Long-Term: twA	Short-Term: twA-1	Stable

3. 2015 Business Plan

(1) We adopt the market share-oriented strategy, offer competitive innovative services, and expand various business sizes actively. For the purpose of business, we insist on the spirit of local services and establish long-term relations with customers to create the win-win situation for the both sides:

1. Deposit business: Continue upgrading the added functions of deposit accounts to enhance the bank-customer relationship; offer mobile ATM cards and mobile banking accounts to provide depositors with omnibus payment tools; plan various deposit development projects for different groups to secure a higher number of demand deposit accounts and new customers.
2. Corporate banking: Adjust the product pricing strategy to increase profitability; enhance risk management to maintain fair asset quality; develop industrial and commercial corporate banking and give priority to make loans of self-liquidating nature and loans to manufacturing plants based in Taiwan to enhance the financing of the general industries; take advantage of applying for credit guarantee fund and seeking for good quality collateral to enhance the loan security; enhance SME loans in line with the government policies, and also collocate the governments' related loan projects.
3. Consumer banking: Promote housing loans stably and choose owner occupants who possess sound repayment capabilities; accept better objects in the secondary market as collateral primarily; seek affiliation with premium car dealers to offer special car loans in order to stabilize the sources of loans for second-hand cars; exert the value of branch channels, adopt segment marketing per the market demand and continue observing changes in the market; design consumer banking

projects for different target groups from time to time according to market demand.

4. Credit card: Continue the “2% rebate on even days” event, execute promotional projects in line with seasonable projects or channels, cultivate the usage of Union Bank cards as principal cards, and increase the market share of debit cards; expand the business team and enhance digital application channels; develop credit card mobile payment business; continuously develop large-sized and medium-sized merchants and chain stores, and promote unionpay cards and instalment acquiring business.
5. Wealth management: Further develop relations with customers; enhance development of effective clients to improve market share; continue to introduce diversified products (e.g., ETF, domestic structured notes, and foreign bonds, et al.) to offer wealth manager clients with a diversified range of asset allocation choices.

(2) Channel development:

1. The Bank operates 90 domestic branches and has been granted approval by the Financial Supervisory Commission to set up our Hong Kong branch, which is a part of our plan to expand our business territory overseas in line with globalization of the financial market.
2. The Bank has expanded our ATM service network to offer customers more convenient services and through which we hope to enhance our corporate image and reputation. As of December 31, 2014, the Bank has installed a total 727 ATMs to service our clients.

(3) Business targets for 2015

1. Deposits expect to grow by 11.51%, reaching NT\$ 442.5 billion by the end of 2015.
2. Loans expect to grow by 5.04%, reaching NT\$ 274.3 billion (excluding credit cards) by the end of 2015.
3. Foreign exchange turnover is forecasted to reach US 4.821 billion.
4. Improvement in business performance targets: including a suppressed NPL ratio or one that is lower than the industry average and improvement in capital level to meet the requirement of 2019 in accordance with IFRS and Basel III..

4. External Factors and Future Development Strategies

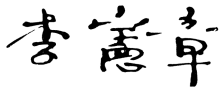

We expect that the global economic growth rate of 2015 will be higher than that of 2014. The domestic economy is growing. Meanwhile, adjustment on the loan structure resulting in increase in the spread income will drive the enterprises' demand for funding and willingness to invest the market effectively and thereby support the loan business growth and expansion of wealth management market to seek profit. The banking industry's vision is expected to be optimistic. We forecast that the economy in the banking industry appears to be booming in 2015.

Letter to Shareholders



To meet with the challenges of different variations in the future, the Bank's main strategies and targets will be: to enhance market share and the scale of core profit-making business (Such as: SME loan, consumer banking and wealth management), to actively exert the branch network's efficiency and competitiveness, to improve business performance and build a well-rounded financial operating system to serve the customers.

We are very grateful to you for your long-term patronage and strong support in the past. We will endeavor to present a marvelous feat of performance under the Bank's operating mottoes of "Enthusiasm, Soundness, Efficiency and Innovation" through improving the quality of service and strengthening customer-bank relationships. Your continued support and encouragement in the future would be much appreciated.

Yours sincerely,

董事長  

Chairman Shiang-Chang Lee

總經理  

President Jeff Lin



BANK PROFILE

1. Date of Establishment and History

Union Bank of Taiwan was the third private-owned bank approved by the government to be established in the awakening of banking liberalization and globalization. The founders of the Bank shared a common interest of running a perpetual business and together they set up the preparatory office on Mar. 29, 1989 and business operation initiated on Jan. 21, 1992. The Bank was officially listed on the OTC on Sep. 19, 1995 and the Taiwan Stock Exchange Corporate on Jun. 29, 1998, and has now become a widely acclaimed and recognized listed company. The Bank set up the Ho Chi Minh City Representative Office in Vietnam and Hong Kong Representative Office in Hong Kong on February 25, 1998 and August 24, 1999, respectively. To expand business channels and the scale of operations, the Bank acquired Chung Shing Bank unconditionally on March 19, 2005.

2. Merger, Acquisition, Reinvestment in Affiliated Enterprises and Corporate Restructure During 2014 and Current Year Up to the Printing Date of the Annual Report : Refer to “Affiliated and Special Notes”.

3. Is the Bank a Member Firm of a Specific Financial Holding Company

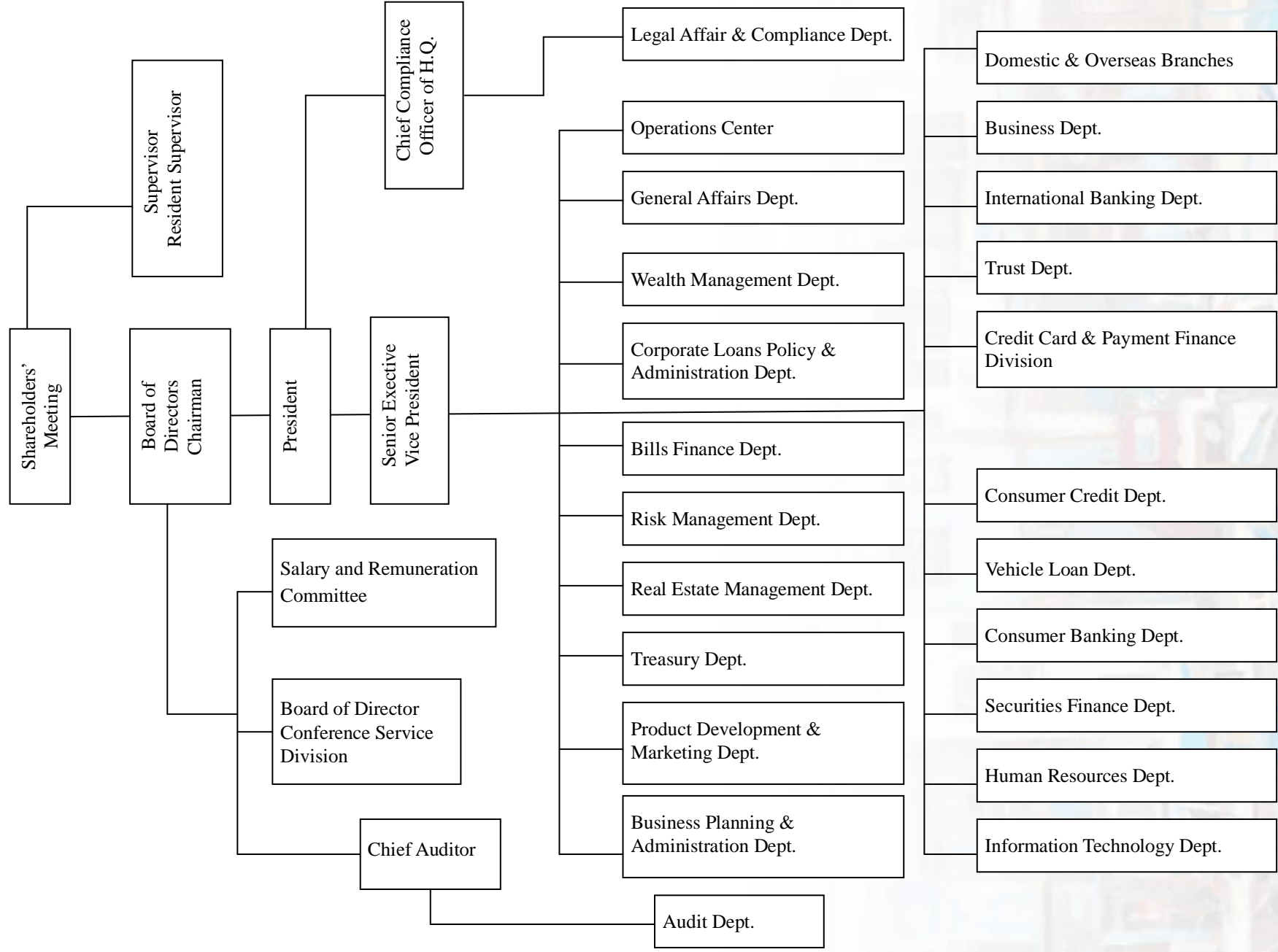
The Bank is a commercial bank limited by shares, but not a member of a financial holding company.

4. Significant Transfers or Changes in Shareholding of Directors, Supervisors and Parties Required to Declare Ownership of Shares Under Paragraph 3, Article 25 of the Banking Act. Refer to “Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity in accordance with Paragraph 3, Article 25 of the Banking Act” of the “Corporate Governance Report” .

5. Changes in Management Rights, Management Mode or Other Significant business Changes During 2014 and Current Year Up to the Printing Date of the Annual Report :

None

1. Organization Structure (1) Organization Chart



Corporate Governance

(2) Responsibilities of each department:

Audit Department:

Responsible for performing internal audit, planning internal controls systems and reviewing credit applications.

Business Planning & Administration Department:

Responsible for the Bank's organizational system, execution of budgets, risk management and deposit-taking and remittance businesses.

Product Development & Marketing Department:

Responsible for the planning and promotion of e-Commerce businesses.

Treasury Department:

Responsible for the Bank's fund appropriation and assets and liabilities management.

Real Estate Management Department:

Responsible for the appraisal of real estate collaterals and management of collateral received for loans.

Risk Management Department:

Responsible for managing the Bank's credit risks, market risks and operational risks.

Bills Finance Department:

Responsible for planning pursuing and managing the bills and bonds business.

Legal Affairs & Compliance Department:

Responsible for compliance affairs, processing of legal actions for the Bank, research of and advice on legal issues.

Corporate Loan Policy & Administration Department:

Responsible for the promotion and management of corporate banking businesses.

Wealth Management Department:

Responsible for the promotion of wealth management businesses and administration of wealth management personnel.

General Affairs Department:

Response for the procurement of supplies, management of the bank's properties and acting as the bank's treasurer.

Operations Center:

Responsible for the establishment of files, disposition of transactional accounts and management of archives.

Information Technology Department:

Responsible for the design, execution and maintenance of the Bank's computer system.

Human Resources Department:

Responsible for planning human resources.



Corporate Governance

Securities Finance Department:

Responsible for entrusted trading, underwriting and purchase of marketable securities.

Consumer Banking Department:

Responsible for the promotion and management of consumer banking businesses.

Vehicle Loan Department:

Responsible for planning, promoting and managing the vehicle loan business.

Consumer Credit Department:

Responsible for the promotion and management of consumer credit businesses.

Credit Card & Payment Finance Division:

Responsible for the development of affairs related to credit cards and merchants, and processing of micro loans.

Trust Department:

Responsible for trust business, custodian banking and certification services.

International Banking Department:

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

Corporate Governance

2. Information on Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors A. General Information

Recordation Date: March 31, 2015 (Shares Holding Recordation Date: April 28, 2015)

Unit: Shares ; %; Note1

Title	Name	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding Under Other's Title		Experience & Qualification	Current Positions in the Bank and Other Company	Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Chairman	Shiang-Chang Lee	2012.06.22	3 Yrs	1991.12.10	1,016,944	0.052%	1,273,528	0.05%	1,997,122	0.08%	-	-	National Taiwan University; President of UBOT	Union Finance International (HK) Director - Taiwan Futures Exchange supervisor	None	None	None
Independent Managing Director	Kao-Jing Wang	2012.06.22	3 Yrs	2009.06.19	-	-	-	-	-	-	-	-	Master's Degree, University of North Dakota; SEVP, Bank of Taiwan	-	None	None	None
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang	2012.06.22	3 Yrs	2012.06.22	51,707,476	2.653%	117,952,491	4.81%	2,450,997	0.10%	-	-	National Defense Medical School; Commissioner of International Rotary Club	-	None	None	None
Independent Director	Zen-Fa Lu	2012.06.22	3 Yrs	2009.06.19	-	-	-	-	-	-	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute; Prosecutor General of Supreme Prosecutors Office	-	None	None	None

Corporate Governance

Title	Name	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding Under Other's Title		Experience & Qualification	Current Positions in the Bank and Other Company	Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Director	Yu-Quan Lee	2012.06.22	3 Yrs	2009.06.19	2,650,963	0.136%	3,319,828	0.13%	-	-	-	-	National Taiwan Normal University; Supervisor of First Commercial Bank	Manager and Chairman of TWT Communication Corp.; Director of Taiwan 1 st Media Co., Ltd.; Director of Yu-Quan Multiple Development Co., Ltd. Director of Tien-How Construction Co., Ltd. T-Movies Co., Ltd.	None	None	None
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	2012.06.22	3 Yrs	1991.12.10	68,477,951	3.514%	85,755,684	3.49%	5,278,043	0.21%	-	-	Master's Degree, National Taiwan University; President of Union Bank of Taiwan	Supervisor of Union Recreation Enterprise Co., Ltd.; President of Union Bank of Taiwan. Director of The Liberty Times Managing Director of Union Dyeing and Finishing Co., Ltd. Director of Union Finance International (HK)	None	None	None
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	2012.06.22	3 Yrs	2012.06.22	51,707,476	2.653%	117,952,491	4.81%	759,220	0.03%	-	-	National Taiwan University Chairman of Union Bills Finance Corp	-	None	None	None

Corporate Governance

Title	Name	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding Under Other's Title		Experience & Qualification	Current Positions in the Bank and Other Company	Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Director	Yu-Pang Co., Ltd. Representative: Sue-Feng Tsao	2012.06.22	3 Yrs	1994.06.01	28,605,984	1.468%	35,823,584	1.46%	3,335	-	-	-	Taipei Commercial Academy Director of Tien-Sheng Investment Co., Ltd.	Director of Hung-Peng Construction Enterprise Co., Ltd.; Supervisor of Union Realstate Management Corp.; Director of Tien-Sheng Investment Co., Ltd.	None	None	None
Director	Chi-Shun Investment Co., Ltd. Representative: Jin-Fu Liu	2012.06.22	3 Yrs	2012.06.22	70,115,261	3.598%	89,135,105	3.63%	-	-	-	-	Taipei Technical Academy; Director of Li-Chang Ceramics Co., Ltd.	Director of Li-Chang Ceramics Co., Ltd.	None	None	None
Resident Supervisor	Pao-Shing Investment Co., Ltd. Representative: Jia-Yi Wang	2012.06.22	3 Yrs	2006.06.09	68,525,970	3.516%	85,815,817	3.50%	-	-	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute; President of Supreme Court	-	None	None	None
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	2012.06.22	3 Yrs	2006.06.09	68,525,970	3.516%	85,815,817	3.50%	454,391	0.01%	-	-	National Taiwan University; President of Formosa Transnational Attorneys At Law	-	None	None	None

Corporate Governance

Title	Name	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding Under Other's Title		Experience & Qualification	Current Positions in the Bank and Other Company	Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	2012.06.22	3 Yrs	2012.06.22	98,498,074	5.055%	125,454,092	5.11%	1,688,394	0.06%	-	-	National Taiwan Normal University Director of Hong-Bung Construction Enterprise Co., Ltd.	Supervisor of Lung Shan Lin Realstate Management Corp.; Director of Union Optronics Corp.; Chairman of Green Island Hotel Co., Ltd.; Director of Sun-Che Investment Co., Ltd.; Director of Jen-Yo Investment Co. Ltd.; Director of Yeh-Shan Construction Co., Ltd.; Director of Chu-Pao Investment Co., Ltd.; Director of Pai-Sheng Investment Co., Ltd.; Director of Union Realstate Management Corp.; Director of Union Dyeing and Finishing Co., Ltd.; Supervisor of Lung Shan Lin Enterprise Co., Ltd.; Manager and Director of Hong-Bung Construction Enterprise Co., Ltd.; Responsible Person of Ren-Shun Café. Supervisor of Song-Mai investment Director of Kang-Hong investment Co., Ltd	None	None	None

B. Major Institutional Shareholders

Name of Shareholder	Major Shareholders of Institutional Shareholder
Yu-Pang Co., Ltd.	Lin Chang Su-O, Jeff Lin
Union Enterprise Construction Co., Ltd.	Lin Chang Su-O, Hong-Bang Lin
Pao-Shing Investment Co., Ltd.	Chiu-Tze Lin, Hsiu-Ching Lee
Chen-Chern Investment Co., Ltd.	Tsong-Yu Lee, Lin Chang Su-O
Chi-Shun Investment Co., Ltd.	Jyh-Dong Chen, Union Enterprise Construction Co., Ltd.
Pai-Sheng Investment Co., Ltd.	Si-Yong Lin, Hsiu-Ching Lee

C. Major Shareholders of Institutional Shareholders

Name of Shareholder	Major Shareholders of Institutional Shareholder
Union Enterprise Construction Co., Ltd.	Lin Chang Su-O, Hong-Bang Lin

D. Professional Knowledge and Independence Information of Directors and Supervisors

Name	Qualification			Independent Status (Note 2)										Serving as an independent director of other public companies
	Over five years of experience in related fields and the following professional qualification (Note 1)			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	

Corporate Governance

Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)										Serving as an independent director of other public companies
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Shiang-Chang Lee			√	√		√	√	√		√	√	√	√	-
Kao-Jing Wang			√	√	√	√	√	√	√	√	√	√	√	-
Zhen-Xong Jiang			√	√	√	√	√	√	√	√	√	√		-
Zen-Fa Lu		√	√	√	√	√	√	√	√	√	√	√	√	-
Jin-Fu Liu			√	√	√	√	√	√		√	√	√		-
Yu-Quan Lee			√	√	√	√	√	√		√	√	√	√	-
Jeff Lin			√			√		√		√	√	√		-
Yao-Nan Lai			√	√	√	√	√	√	√	√	√	√		-
Sue-Feng Tsao			√	√	√	√	√			√	√	√		-
Jia-Yi Wang		√	√	√	√	√	√	√	√	√	√	√		-
Zhen-Lu Lin			√	√	√	√	√	√	√	√	√	√		-
Si-Yong Lin			√	√	√	√	√			√	√	√		-

Note 1: With over 5 years of work experience and the following professional qualification

(1): Instructor, or higher up, of a public or private junior college, college or university, in Business, Law, Finance, Accounting or other departments as required by corporate business.

(2): Judge, prosecutor, solicitor, Certified Public Account or professionally qualified and technical person as required by the company.

(3): Experience in Business, Law, Finance, Accounting or as required by corporate business.

Note 2: Two years before the directors and supervisors are elected or during the period they are on the jobs, if they meet the following criteria, please make a “√” mark in the space under the criteria codes.

(1): Not an employee of the Bank; nor an employee of its affiliated enterprises.

(2): Not a director or supervisor of the Bank or its affiliated enterprises (Does not include the independent directors of the Bank or its parent company or subsidiaries in which the Bank holds more than 50% of the shares).

(3): Not directly or indirectly own more than 1% of the Bank’s outstanding shares; nor is one of the top ten non-institutional shareholders of the Bank.

(4): Not a spouse or within second-degree relation or third-degree immediate relation to any person specified in the preceding three criteria.

(5): Not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Bank’s issued shares; nor a director, supervisor or employee of

Corporate Governance

the top five legal entities which are owners of the Bank's issued shares.

- (6): Not a director, supervisor, or manager of a company which has a business relationship with the Bank; nor a shareholder who owns more than 5% of such a company.
- (7): Not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with financial, business consulting, or legal services. Excluding members of the remuneration committee that exercise powers in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8): Not a spouse or within second-degree relation to other directors.
- (9): Not a person under the circumstances specified in Article 30 of the R.O.C. Company Act.
- (10): Not a government agency, juristic person or its representative pursuant to Article 27 of the R.O.C. Company Act.

E. Director and Supervisors' Training Records

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements ^{Note}
		From	To				
Chairman	Shiang-Chang Lee	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Independent Managing Director	Kao-Jing Wang	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Managing Director	Zhen-Xong Jiang	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Independent Director	Zen-Fa Lu	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes

Corporate Governance

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements ^{Note}
		From	To				
Director	Jin-Fu Liu	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Director	Yu-Quan Lee	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Director	Jeff Lin	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Director	Sue-Feng Tsao	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Resident Supervisor	Jia-Yi Wang	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes
Supervisor	Zhen-Lu Lin	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes

Corporate Governance

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements ^{Note}
		From	To				
Supervisor	Si-Yong Lin	2014.12.05	2014.12.05	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Conflict of Interest and Execution of Audit Committee and Independent Directors)	3	Yes

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

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

Unit: Shares ; %

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
President	LIN, HONG-LIAN (Jeff Lin)	2006.08.02	5,278,043	0.21%	0	0	0	0	Master's Degree, National Taiwan University; SEVP of UBOT	Supervisor of Union Recreation Enterprise Corp.; Director of The Liberty Times; Executive Director of Union Dyeing and Finishing Co., Ltd. Union Finance International (HK) Director	None	None	None
SEVP	CHAN, YING-PO (Yin-Bor Chan)	2006.07.01	345,914	0.01%	0	0	0	0	Tamkang University; EVP of UBOT	Supervisor of Union Finance & Leasing (International) Co., Ltd.	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
SEVP & GM of Risk Management Dept.	TU, HER-MAN (Herman Tu)	2006.07.01	202,522	0	0	0	0	0	Chinese Culture University; EVP of UBOT	Director of Union Finance & Leasing (International) Co., Ltd.	None	None	None
SEVP	LIU, CHENG-YU (Cheng-Yu Liu)	2010.07.01	26,827	0	0	0	0	0	Takming College EVP of UBOT	Director of Union Information Technology Co., Ltd. Union Finance International (HK) Director	None	None	None
Chief Auditor	KANG, KUO-PAO (Kuo-Pao Kang)	2010.11.01	21,885	0	0	0	0	0	National Chiao Tung University; VP & Branch Manager of E. Taipei Branch of UBOT	-	None	None	None
VP & GM of Legal Affair and Compliance Dept.	KAO, YAO-TSUNG (Yan-Tsung Kao)	2009.04.01	32,766	0	0	0	0	0	Soochow University VP & Branch Manager of Fucheng Branch	-	None	None	None
EVP & GM of Vehicle Loan Department	HSIEH CHENG-JUH (Cheng-Juh Hsieh)	2011.04.01	278,966	0.01%	0	0	0	0	University of South Australia Graduate School General Manager of Union Finance & Leasing (International) Corporation	Director of Union Finance & Leasing (Int' l) Corporation, Director of Union Capital (Cayman) Corp, Director of New Asian Ventures Ltd.	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
EVP & GM of Consumer Banking Dept.	HSIA, KUO – HSIEN (Kuo-Shien Shia)	2005.06.27	20,474	0	9,469	0	0	0	Tamkang University; Manager of Cathay United Bank	Supervisor of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd.	None	None	None
SVP	CHIEN, HUNG-MING (Peter Chien)	2006.06.26	110,941	0	0	0	0	0	Panchiao Senior High School; VP & Branch Manager of Hsinchung Branch of UBOT	-	None	None	None
VP & GM of Business Planning & Admin. Dept.	YANG, CHU-CHANG (Yanger Yang)	2006.06.22	18,638	0	0	0	0	0	Master's Degree, Tunghai University; VP and Deputy GM of Business Planning & Admin. Dept. of UBOT	Director of Lian-An Service Co. Ltd. & I Pass Corporation.	None	None	None
VP & GM of Consumer Credit Dept.	TANG, PI-CHIU (Joy Tang)	2004.03.22	54,787	0	0	0	0	0	Master's Degree, Memphis State University; VP & Deputy GM of Consumer Banking Dept.	-	None	None	None
VP & GM of Trust Dept.	TSAI, HANN-TSAU (Hann-Tsau Tsai)	2006.06.22	230,627	0	1,892	0	0	0	Chung Yuan Christian University; VP & GM of Business Planning & Admin. Dept of UBOT	-	None	None	None
VP & GM of Wealth Management Dept.	HSU TING-YU (Sophie Hsu)	2005.11.21	15,750	0	0	0	0	0	Master's Degree, Canada Royal University; Executive VP of Business Development Dept. of ING	Director of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd.	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & GM of Securities Finance Dept.	YANG, HUI-CHIN	2013.03.20	0	0	0	0	0	0	Feng Jia University First Securities Fong Yuan Branch Manager	-	None	None	None
VP & GM of Bills Finance Dept.	LEE, YAO-HSIEN (Yao-Hsien Lee)	2010.08.16	73,471	0	0	0	0	0	Feng Jia University Manager of Union Bills Finance Corp.	-	None	None	None
VP & GM of Treasury Dept.	TANG, CHIAN-YANG (Tarsicio Tong)	1998.09.01	69,634	0	0	0	0	0	National Taiwan University; VP & Deputy GM of IBD of UBOT	-	None	None	None
VP & GM of Corporate Loans Policy & Admin. Dept.	LIU, CHUEH-LING	2014.4.01	21,579	0	0	0	0	0	Master's degree, George Washington University Deputy GM of Corporate Loans Policy & Admin Dept.	-			
VP & GM of Real Estate Management Dept.	LI, JUN-NAN (Michael Lee)	2004.03.05	12,839	0	0	0	0	0	Master's Degree, National Cheng Chi University; VP & Branch Manager of Hueilong Branch	-	None	None	None
VP & GM of Product Development & Marketing Dept.	SHENG, PI - SHIA (Pauline Sheng)	2008.11.01	17,604	0	0	0	0	0	Tamkang University; VP & Branch Manager of Wenlin Mini Branch	Director of Euroc III Venture Capital. Corp.	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & GM of Information Technology Dept.	YANG, FENG-JUNG (Luke Yang)	2006.07.01	76,131	0	0	0	0	0	Master's Degree, National Taiwan University; Deputy GM of IT Dept. of UBOT	Director of Union Information Technology Co., Ltd.	None	None	None
VP & GM of Human Resources Dept.	LIN, HSIAO-CHEN (Michael Lin)	1999.12.01	19,485	0	0	0	0	0	National Chung Hsing University; VP & Deputy GM of Human Resources Dept.	-	None	None	None
VP & GM of General Affairs Dept.	CHANG, YU-CHANG (Russell YC Chang)	2003.10.01	121,087	0	0	0	0	0	Taiwan Institute of Technology; VP & Deputy GM of General Affairs Dept.	-	None	None	None
VP & GM of Operations Center	HSUEH, SHU-FENG (Shu-Feng Hsueh)	2005.09.06	16,887	0	2,028	0	0	0	National Cheng Chi University; AVP of Hsintien Branch	-	None	None	None
Executive Director of Credit Card & Payment Finance Division.	LIN, YU-TANG (Terrence Lin)	2012.08.15		0	0	0	0	0	Master's degree, National Taiwan University Citi Bank, Vice President, Credit Card Dept.	Director of Union Insurance Broker Co., Ltd. & Union Insurance Agent Co., Ltd.; Supervisor of Union Information Technology Co., Ltd. Director of I Pass Corporation	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & GM of International Banking Department	TSENG, MENG -YUN (Connie Tseng)	2010.09.01	12,943	0	0	0	0	0	Master's degree of National University, USA CA; VP of International Banking Dept. and OBU, Jih Sun Commercial Bank	Union Finance International (HK) Director	None	None	None
VP & GM of Branch of OBU and Rep. of Hong Kong Rept. Office & Ho Chi Minh Rept. Office	LU, MEI-CHIH (Lisa Lu)	2010.09.01	43,680	0	0	0	0	0	MBA University of Birmingham, UK; AVP of OBU and representative of Hong Kong Representative Office & Ho Chi Minh Representative Office (FRM)	-	None	None	None
VP & GM of Business Dept.	YU, LIN-SHENG (Lin-Sheng Yu)	2008.05.05	17,411	0	0	0	0	0	National Taiwan Ocean University; VP & Branch Manager of Luchou Branch	-	None	None	None
VP & Branch Manager of Taipei Branch	Jen-Chung Cheng	2013.05.16	14,825	0	0	0	0	0	National Cheng Chi University; VP & Branch Manager of Taoyuan Branch	-	None	None	None
VP & Branch Manager of Taoyuan Branch	Ching-Shou Liu	2013.05.16	27,239	0	0	0	0	0	National Taipei College of Commerce-Open Junior College of Commerce VP & Branch Manager of Taoying Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Taichung Branch	Meng-Hsia Wu	2007.11.05	53,728	0	0	0	0	0	National Tsao-Tun Commercial & Industrial Vocational Senior High School; VP & Branch Manager of Minchuan Branch	-	None	None	None
VP & Branch Manager of Nanking E. Road Branch	Ching-Wen Chen	2006.07.01	14,437	0	0	0	0	0	Soochow University; VP & Branch Manager of Shuanho Branch	-	None	None	None
VP & Branch Manager of Chungli Branch	Chang-Yung Chen	2000.08.23	145,777	0	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce; VP & Branch Manager of Neili Branch	-	None	None	None
VP & Branch Manager of Sanchung Branch	Steven Huang	2007.06.01	25,693	0	0	0	0	0	Graduate Institute of the University of North Alabama; VP & Branch Manager of Houpu Branch	-	None	None	None
VP & Branch Manager of East Taipei Branch	Zhi-Zhong Zhang	2010.12.01	32,007	0	0	0	0	0	National Chao Tung University VP & Branch Manager of Changchun Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Kaohsiung Branch	Zong-Hul Huang	2008.06.01	13,095	0	0	0	0	0	Feng Chia University; Manager of Kaohsiung Corporate Banking Center	-	None	None	None
VP & Branch Manager of Panchiao Branch	Jacky Liao	2009.04.01	9,412	0	0	0	0	0	Chungyu Institute of Technology; Deputy manager of Taipei Corporate Banking Center	-	None	None	None
VP & Branch Manager of Tainan Branch	Ping-Hui Lin	2008.05.16	13,883	0	0	0	0	0	Aletheia University; Manager of En Tie Bank	-	None	None	None
VP & Branch Manager of Yuanlin Branch	Wen-Jui Chou	2013.04.01	9,527	0	0	0	0	0	Master's Degree, Tamkang University; Branch manager of Minchuan Branch of Bill Finance Dept.	-	None	None	None
VP & Branch Manager of Jenai Branch	Wendy Chi	2009.11.16	55,586	0	0	0	0	0	Master's Degree, University of Texas; VP & Branch Manager of Kungkuan Branch	-	None	None	None
VP & Branch Manager of Nankan Branch	Ching-Chung Lin	2006.07.01	118,700	0	0	0	0	0	Chinese Culture University; VP & Branch Manager of Tatze Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Hsinchu Branch	Denfer Hung	2009.12.06	14,805	0	0	0	0	0	Tunghai University; Manager of Standard Chartered Bank	-	None	None	None
VP & Branch Manager of Luchou Branch	Yeong-Jin Hwang	2008.05.05	12,178	0	0	0	0	0	Master's Degree, University of Dallas. VP & Manager of Taipei Corporate Banking Center	-	None	None	None
VP & Branch Manager of Chiujju Branch	Lister Lee	2000.06.01	76,826	0	0	0	0	0	National Cheng Kung University- Open Junior College of Commerce; Manager of Kaohsiung Bank	-	None	None	None
VP & Branch Manager of Shuanho Branch	Chang-Chen Lin	2012.07.09	9,884	0	0	0	0	0	National Taiwan University VP & Deputy Branch Manager of Hsintien Branch	-	None	None	None
VP & Branch Manager of Hueilong Branch	Ru-Ji Cheng	2004.03.05	11,883	0	0	0	0	0	Feng Chia University; VP & Deputy branch Manager of Taoyuan Branch	-	None	None	None
VP & Branch Manager of Chiayi Branch	Liang- Kuei Kuo	2013.08.12	0	0	0	0	0	0	National Yunlin University of Science and Technology; Tainan Branch manager of J.P.Morgan Asset Management	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Kungkuang Branch	Fang-Ni Wang	2014.4.1	10,659	0	0	0	0	0	Master's Degree, National Central University; AVP & Division Head of Corporate loans policy & Administration Dept.	-	None	None	None
VP & Branch Manager of Neili Branch	Shen-Yung Peng	2013.04.01	26,716	0	5,973	0	0	0	Ching Yun University; VP & Branch Manager of Tunhwa Branch	-	None	None	None
VP & Branch Manager of Chunghsiao Branch	Jane Lu	2003.10.01	44,739	0	0	0	0	0	Master's Degree, University of Illinois; VP & Branch Manager of Tunghua Mini Branch	-	None	None	None
VP & Branch Manager of Hsinchuang Branch	Jeffery Tsai	2006.06.26	33,278	0	0	0	0	0	Master's Degree, Fu Jen Catholic University; VP & Deputy Branch Manager of Hsinchuang Branch	-	None	None	None
VP & Branch Manager of Fengshan Branch	Kuen-Yuan Tsai	1999.10.25	15,153	0	0	0	0	0	Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch	Conducting business Shareholder of chinho Co.Ltd.	None	None	None
VP & Branch Manager of Taoying Branch	Jyh-Chiang, Huang	2013.05.16	59,918	0	15,493	0	0	0	National Chiao Tung University VP & Branch Manager of Dajhu Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Lungtan Branch	Lawrence Chen	2009.12.01	31,094	0	0	0	0	0	Master's Degree, National Central University; VP & Branch Manager of Neili Branch	-	None	None	None
VP & Branch Manager of Hsintien Branch	Shih-Shien Chene	2012.07.09	0	0	0	0	0	0	National Taiwan University of Science and Technology; Sindian Branch Manager of Yuanta Bank	-	None	None	None
VP & Branch Manager of Tatze Branch	Tereasa Lin	2009.01.01	11,638	0	0	0	0	0	Chihlee Institute of Technology; Head of Jenai Consumer loan center, Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Chungshan Mini Branch	Ye-Yan Lin	2013.11.25	9,588	0	0	0	0	0	Taibei High School, Manager of Business Dept.	-	None	None	None
VP & Branch Manager of Wenshin Branch	Amy Chung	2009.01.01	20,943	0	0	0	0	0	National Cheng Kung University; AVP & Division Head of Minchuan Branch	-	None	None	None
VP & Branch Manager of Chienshin Branch	Tawei Shih	2009.12.06	11,767	0	0	0	0	0	Master's Degree, Tamkang University; VP & Branch Manager of Hsinchu Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Chungho Branch	Wu-Lien Peng	2009.11.16	409,400	0.01%	11,744	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce; VP & Branch Manager of Jenai Branch	-	None	None	None
VP & Branch Manager of Neihu Branch	CM Hwang	2011.11.01	317,701	0.01%	0	0	0	0	Chung Yuan Christian University; VP & Branch Manager of Hoping Branch	-	None	None	None
VP & Branch Manager of Dayuan Branch	Chu-Shih Wei	2009.04.07	9,412	0	0	0	0	0	Feng Chia University; Manager of Standard Chartered Bank	-	None	None	None
VP & Branch Manager of Yungho Branch	Hsiu-Yun Su	2005.03.19	11,195	0	0	0	0	0	Master's Degree, Dallas Baptist University; Manager of Chung Shing Bank	-	None	None	None
VP & Branch Manager of Chungkung Mini Branch	Wen-Chien Chien	2001.01.15	38,860	0	0	0	0	0	Ming Chuan College; VP & Deputy Branch Manager of Chunghsiao Branch	-	None	None	None
VP & Branch Manager of Tonghwa Mini Branch	Mei-Lan Lin	2007.10.01	8,626	0	0	0	0	0	Soochow University; AVP & Division Head of Consumer Credit Dept.	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Shihtung Branch	Kuang-Han Liu	2009.12.01	9,601	0	0	0	0	0	National Taipei College of Commerce; Manager of Taipei Consumer Loan Center Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Breeze Center Mini Branch	Chia-Wei Lin	2013.11.25	8,296	0	0	0	0	0	Tung Hai University; Manager of Sanchung Branch	-	None	None	None
VP & Branch Manager of Changchun Branch	Patty Chen	2013.03.21	8,852	0	0	0	0	0	Open Business College Affiliated with National Taipei College of Business Manager of Wealth Management Dept.	-	None	None	None
VP & Branch Manager of Sungchiang Branch	Chien-Lung Chen	2013.11.25	95,064	0	0	0	0	0	Master's Degree, Aletheia University; VP & Branch Manager of Breeze Center Mini Branch	-	None	None	None
VP & Branch Manager of Taan Branch	Chien-Hui Li	2011.11.01	8,287	0	0	0	0	0	Soochow University; Head of Jenai Loan Center, Consumer Banking Department	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Yungchi Branch	Candy Lin	2011.07.16	30,941	0	0	0	0	0	National Chung Hsing University; Head of Chunghsiao Loan Center, Consumer Banking Department	-	None	None	None
VP & Branch Manager of Wenlin Branch	Ju-Ling Kuo	2008.11.01	136,720	0	0	0	0	0	Takming College; VP & Deputy GM of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Tungmen Branch	Jimmy Chou	2007.06.11	10,168	0	0	0	0	0	Master's Degree, National Taipei University; VP & Deputy GM of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Tunhwa Branch	Gary Tsai	2013.04.01	8,895	0	0	0	0	0	Lunghwa University of Science and Technology; Head of Nanking E. Rd. Loan Center Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Hsihu Branch	Mary Huang	2006.12.01	9,213	0	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce; Senior AVP of Luchou Branch	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Beitou Mini Branch	Wen-Chi Chiang	2014.11.17	5,163	0	3,693	0	0	0	National Chiao-Tong University; Head of Jenai Loan Center Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of North Sanchung Branch	Teh-Chin Tsai	2005.03.19	116,046	0	0	0	0	0	Kai Nan High School of Commercial and Industry; Senior AVP of Sanchung Branch	-	None	None	None
VP & Branch Manager of Houpu Branch	Su-Yean Lo	2007.06.26	9,439	0	0	0	0	0	National Changhua Senior School of Commerce; AVP of Houpu Branch	-	None	None	None
VP & Branch Manager of North Chungho Mini Branch	Hedy Wei	2010.08.16	7,637	0	0	0	0	0	Chinese Culture University; AVP of Chungho Branch	-	None	None	None
VP & Branch Manager of Fuguo Branch	Shis-Wen Lu	2005.03.19	8,439	0	4,023	0	0	0	Takming Junior College of Commerce; Head of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Shulin Branch	Yen-Jou Liu	2012.05.03	16,128	0	0	0	0	0	Shih Hsin Senior high School; V.P. & Deputy Branch Manager of Hueilong Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Hsichih Branch	Hung-Min Chen	2012.07.09	27,568	0	231	0	0	0	Feng Chia University; VP & Branch Manager of Shuanho Branch	-	None	None	None
VP & Branch Manger of North Taoyuan Branch	Kuo-Kuang Chou	2015.01.05	7,206	0	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce ; Head of Daye Loan Center Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of North Chungli Branch	James Tsai	2015.01.05	43,858	0	0	0	0	0	Tamkang University; Head of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of North Taichung Branch	Hui-Fen Chao	2005.03.19	87,765	0	0	0	0	0	Chihlee Institute of Technology; Senior AVP of Wenshin Branch	-	None	None	None
VP & Branch Manager of Minchuan Branch	Jeng-Ping Liu	2007.11.05	67,062	0	0	0	0	0	Graduate School of Dayeh University; VP & Branch Manager of Taichung Branch	-	None	None	None
VP & Branch Manager of Hsitun Branch	Shih-Yuan Liaw	2005.03.19	7,813	0	0	0	0	0	Hsinming Commercial School; Manager of Chung Shing Bank	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Shingchung Branch	Chiung-Yu O	2005.03.19	17,353	0	0	0	0	0	Feng Chia University; Manager of Wenshin Branch	-	None	None	None
VP & Branch Manager of Beitun Branch	Chien-Tsung Wu	2005.03.19	25,346	0	0	0	0	0	The Overseas Chinese Institute of Technology; Manager of National Cash Card Department	-	None	None	None
VP & Branch Manager of S. Yuanlin Branch	Wu-Yuan Chen	2005.03.19	44,146	0	0	0	0	0	National Open University; Senior AVP of National Cash Card Dept.	-	None	None	None
VP & Branch Manager of East Chiayi Branch	Shan-Chih Yen	2005.03.19	52,818	0	3,342	0	0	0	Master's Degree, Chiayi University; Senior AVP of National Cash Card Dept.	Supervisor of Zhong-Guan Foods Enterprise Co., Ltd.	None	None	None
VP & Branch Manager of Fucheng Branch	Hsien-Ming Yen	2009.04.01	12,037	0	0	0	0	0	Feng Chia University; VP & Branch Manager of South Tainan Branch	-	None	None	None
VP & Branch Manager of Fongyuan Branch	Ta-Yu Chin	2006.12.04	38,295	0	0	0	0	0	Tamkang University; VP & Deputy Branch Manager of Wenshin Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Fuchiang Branch	Chin-Chung Kuan	2010.12.06	10,922	0	0	0	0	0	Feng Jia University; Senior Manager, Chinatrust Commercial Bank	-	None	None	None
VP & Branch Manager of Kaiyuan Branch	Roger Chang	2005.03.19	4,490	0	0	0	0	0	National Open University; Head of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of South Tainan Branch	Yu-Show Hsu	2009.04.01	22,745	0	0	0	0	0	Kun Shan University; Senior AVP of Tainan Branch	-	None	None	None
VP & Branch Manager of Lingya Branch	Feng-Li Lin	2005.03.19	41,227	0	0	0	0	0	Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch	Director of I Pass Corporation	None	None	None
VP & Branch Manager of North Kaohsiung Branch	Miao-Hui Yeh	2005.03.19	86,918	0	0	0	0	0	Master's Degree, New York University; VP & Deputy Branch Manager of Chiuju Branch	-	None	None	None
VP & Branch Manager of Sanmin Branch	Miranda Tsai	2009.08.01	13,266	0	0	0	0	0	Tamkang University; Senior AVP of Kaohsiung Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Wuchia Branch	I-Wen Ho	2005.03.19	49,881	0	0	0	0	0	Master's Degree, National Chung Hsing University; VP & Deputy Branch Manager of Fengshan Branch	-	None	None	None
VP & Branch Manager of Pingtung Branch	Chi-Fang Chu	2014.03.19	4,717	0	0	0	0	0	Master's Degree, National Kaohsiung First University of Science and Technology; Manager of Pingtung Branch	-	None	None	None
VP & Branch Manager of Hoping Branch	Tsai-Ling Liao	2011.11.01	0	0	0	0	0	0	Taipei College of Commerce; VP & Branch Manager of Taan Branch	-	None	None	None
VP & Branch Manager of Yongchun Branch	Wen-Hui Lin	2006.07.19	43,356	0	0	0	0	0	Tamkang University; VP & Deputy Branch Manager of Taipei Branch	-	None	None	None
VP & Branch Manager of Tenshin Branch	Kuan-Hong Lee	2013.12.01	6,513	0	0	0	0	0	Tamkang University; Head of Jenai Loan Center, Consumer Banking Department	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Ankang Branch	Chan-Kwei Chen	2009.12.01	62,249	0	0	0	0	0	Feng Chia University; VP & Branch Manager of Shihtung Branch	-	None	None	None
VP & Branch Manager of Dajhu Branch	Mei-Ling Lee	2013.05.16	21,405	0	0	0	0	0	Hsin Wu Business College, Senior AVP, Dajhu Branch	-	None	None	None
VP & Branch Manager of Gueishan Branch	Shiu-Ju Huang	2010.12.01	8,479	0	0	0	0	0	Takming College; Senior AVP, Nankan Branch	-	None	None	None
VP & Branch Manager of Linkou Branch	Shiu-Lan Hsieh	2008.12.04	27,029	0	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce VP & Deputy Branch Manager of Taipei Corporate Banking Center	-	None	None	None
VP & Branch Manager of Wugu Branch	Chao-Chuen Chuang	2009.11.01	7,872	0	0	0	0	0	Master's degree, Fo Guang University; VP& Branch Manager of Wugu Branch	-	None	None	None

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Gaorong Branch	Jung-Hsiang Chung	2009.12.11	12,943	0	0	0	0	0	Feng Chia University; Manager of Standard Chartered Bank	-	None	None	None
VP & Branch Manager of Daye Branch	Richard Yang	2010.1.14	9,884	0	0	0	0	0	National Taiwan University; VP& Branch Manager of Taoyuan Corporate Banking Center	-	None	None	None
VP & Branch Manager of Luzhu Branch	Jenny Cheng	2011.07.09	23,370	0	0	0	0	0	National Sun Yat-sen University Senior AVP of Gueishan Branch	-	None	None	None
VP & Branch Manager of Tucheng Branch	Kun-Cheng Zhou	2010.1.25	12,275	0	0	0	0	0	National Chung Hsing University; VP& Branch manager of Ankang Branch	-	None	None	None
VP & Branch Manager of South Taoyuan Branch	Chang-Fu Tsai	2010.3.30	10,354	0	0	0	0	0	Feng Jia University; AVP, SME Banking and Risk Management Dept., Standard Chartered Bank	-	None	None	None
VP & Branch Manager of Sanxia Branch	Chia-Yu Chuo	2013.08.05	9,288	0	0	0	0	0	Master's degree, Yuan Ze University Head of Taoying Loan Center, Consumer Banking Department	-	None	None	

Corporate Governance

Title	Name	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Donghu Branch	Chien-Chung Su	2014.01.07	5,612	0	0	0	0	0	Soochow University, VP & Deputy Branch Manager of Taipei Corporate Banking Center		None	None	

Note 1: The Nationality of President, SEVP, EVP and VP from P.17 to P.38 are Taiwan.

(3) Remuneration of Directors, Supervisors, President and SEVP for the Latest Fiscal Year
 A. Director's Remuneration

Unit: NT Dollar Thousand, December 31, 2014

Title	Name	Directors' Remuneration		Remuneration of Part-time Employees		Total of (A,B,C and D) as a % of Net profit after tax		Remuneration from Investee Companies Excluding Subsidiaries	
		Remuneration (A)	Termination payment and pension costs (B)	Director's Remuneration (C)	Costs Incurred to Perform Duties(D)	Total of (A,B,C and D) as a % of Net profit after tax	Total No. of Shares Issued for Employee Stock Option (H)	Total of (A, B,C,D, E,F & G) as a % of Net profit after tax	286
Chairman	Shiang-Chang Lee	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Independent Managing Director	Kao-Jing Wang	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xiong Jiang	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Independent Director	Zen-Fa Lu	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Director	Yu-Quan Lee	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao	All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement		All Companies in the Consolidated Statement	
		The Bank		The Bank		The Bank		The Bank	

Note 1 :Remuneration to the driver amounted to NT\$816,000.

Remuneration Range

Unit: NT Dollar

Range of Remuneration Paid to Directors	Name of Directors			
	Total of A,B,C and D		Total of A, B,C,D, E,F & G	
	UBOT	All the Companies in the Consolidated Statement	UBOT	All the Companies in the Consolidated Statement
Less than 2,000,000	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Jin-Fu Liu, Yu-Quan Lee, Jeff Lin, Yao-Nan Lai, Sue-Feng Tsao,
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee
Total	9	9	9	9

B. Supervisor's Remuneration

Unit: NT Dollar Thousand, December 31, 2014

Title	Name	Supervisors' Remuneration								Total of (A+B+C+D) as a % of Net profit after tax		Remuneration from Investee Companies Excluding Subsidiaries
		Remuneration (A)		Termination payment and pension costs (B)		Earning Distribution for Director's Remuneration (C)		Costs Incurred to Perform Duties (D)				
		U B O T	All Companies in the Consolidated Statement	U B O T	All Companies in the Consolidated Statement	U B O T	All Companies in the Consolidated Statement	U B O T	All Companies in the Consolidated Statement	U B O T	All Companies in the Consolidated Statement	
Resident Supervisor	Pao-Shing Investment Co., Ltd. Representative: Jia-Yi Wang											
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	840	840	0	0	760	760	564	564	0.06%	0.06%	Nil
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin											

Remuneration Range

Unit: NT Dollar

Range of Remuneration Paid to Supervisors	Name of Supervisors	
	Total of A,B,C and D	
	UBOT	All the Companies in the Financial Statement
Less than 2,000,000	Jia-Yi Wang, Zhen-Lu Lin, Si-Yong Lin,	Jia-Yi Wang, Zhen-Lu Lin, Si-Yong Lin,
Total	3	3

C. President, Senior Executive Vice Presidents & Chief Auditor's Remuneration and Range

Unit: NT Dollar Thousand, December 31, 2014

Title	Name	Remuneration (A)		Termination payment and pension costs (B)		Bonus & Special Allowance (C)		Employees' Bonus from Earnings (D)				Total of (A+B+C+D) as a % of Net profit after tax		Total No. of Shares Issued for Employee Stock Option		Remuneration from Investee Companies Excluding Subsidiaries		
		The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend	The Bank	All Companies in the Financial Statement		The Bank	All Companies in the Financial Statement
President	Jeff Lin																	
SEVP	Yin-Bor Chan																	
SEVP	Herman Tu	10,599	10,599	0	0	4,007	4,007	0	837	0	837	0.49	0.49	0	0	Nil		
SEVP	Cheng-Yu Liu																	
Chief Auditor	Kuo-Pao Kang																	

Note : Remuneration to the Company's three drivers totalled NT\$ 1,985,000.

Unit: NT Dollar

Range of Remuneration Paid to President, Senior Executive Vice Presidents & Chief Auditor	Name of President, Senior Executive Vice Presidents & Chief Auditor	
	UBOT	All the Companies in the Financial Statement
Less than NT\$ 2,000,000	Jeff Lin	Jeff Lin
NT\$2,000,000 (inclusive) ~ NT\$5,000,000	Herman Tu, Yin-Bor Chan, Cheng-Yu Liu, Kuo-Pao Kang	Herman Tu, Yin-Bor Chan, Cheng-Yu Liu, Kuo-Pao Kang
Total	5	5

D. Bonus to Managers :

Unit NT Dollar Thousand, Dec 31 2014

Title	Name	Stock Dividend	Cash dividend	Total	Total as % of Net Profit after Tax
Please refer Page 17 to Page 38.		9561	0	9561	0.31

Note: The employee bonus to managers to be distributed as approved by the Board of Directors before the shareholders' meeting for the motion of distribution of earnings for the most recent year (the projected amount based on the proportion of distribution last year).

- (4) Analysis of Payments of Remuneration to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor, as a percentage of net profit after tax in the latest two years, Remuneration Policy, Standard and Combination, Procedure for determining remuneration and their relationship to operating results and future risk
- A. The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2013 is NT\$28,633,000 and its ratio to net profit after tax is 0.99%.
 - B. The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2014 is NT\$30,316,000 and its ratio to net profit after tax is 0.97%.
 - C. Remuneration paid to directors and supervisors primarily include meeting attendance fees and salaries. All remuneration is paid on a fixed basis. The President did not receive any form of remuneration. Remuneration to SEVPs and Chief Auditor was made in accordance with their respective experience, degree of business involvement and contribution, and compare with the salary and remuneration standard of the Industry peers. The salary and remuneration schedule will be submitted to the Board of Directors for resolution after it is examined by Salary and Remuneration Committee.
The Board is authorized to determine remuneration which is granted to the management pursuant to the Bank's Articles of Incorporations. In addition to monthly basic salaries and allowances, executives may also be eligible for the annual and the performance bonuses and the employee bonuses depending on the Bank's annual results of operation and individual performance. As such, remuneration to SEVPs and Chief Auditor is closely related to the Bank's operating performance. The occurrence of major risk events that may impair the Bank's goodwill, or incidents of deficiency in internal management, or employee fraud would vastly affect the amount of bonuses to SEVPs and the Chief Auditor. The Risk Management Dept. should report directly to the Board of Directors regarding the status of the Bank's risk control and risk exposure on a semi-annual basis.

3. Execution of Corporate Governance

(1) Board of Directors

The Board of Directors held 6 meetings in 2014. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s.
Chairman	Shiang-Chang Lee	6	0	100%	
Independent Managing Director	Kao-Jing Wang	6	0	100%	
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang	6	0	100%	
Independent Director	Zen-Fa Lu	6	0	100%	
Director	Yu-Quan Lee	3	0	50%	
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	6	0	100%	
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	6	0	100%	
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao	6	0	100%	
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	5	0	83.33%	

Other supplementary notes:

- Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion as stipulated in Article 14-3 of the Securities and Exchange Act: None.
- Execution status of directors, avoidance on motions with conflict of interests. The names of directors, the content of the motion, the reasons of avoidance, and the voting participation status should be clearly stated:

Meeting	Name of Director	Proposal	Reasons of Recusal	Participated in Voting
13 th meeting/8 th Board	Jeff Lin	Donation	Stakeholder	No
14 th meeting/8 th Board	Jeff Lin, Zhen-Xong Jiang, Yao-Nan Lai, Jin-Fu Liu, Sue-Feng Tsao	Property Rental	Stakeholder	No

- Measures taken to strengthen the functionality of the Board:

- The Bank, in accordance with the regulation in Article 14-2 of Securities and Exchange Act, sets two seats of independent directors and enacts "Guideline governing the responsibilities of independent directors in Union Bank of Taiwan Co., Ltd." to adhere. It also formulates "Rules for the conduct of directors meetings in Union Bank of Taiwan Co., Ltd." for following in the execution of meetings. The regulation clearly defines if a director attend a meeting where there might be a conflict of interests involves with the director, he/she should voluntarily excuse himself/herself to the motion and should not participate in the voting, he/she should also not represent other directors in exercise voting rights; all the directors in the Bank must comply with the regulation.
- The Bank establishes a Salary and Remuneration Committee under the Board of Directors and sets "Regulation governing the organization of Salary and Remuneration Committee in Union Bank of Taiwan Co., Ltd.". The major responsibilities of the Committee is to set and regularly review the pertaining policy, system, standard and structure, and conduct the performance evaluation and of directors, supervisors and management executives.

- (2) Supervisors' Attendance in Board Meeting(The Bank has not yet instituted an audit committee.)

The Board of Directors held 6 meetings in 2014.The status of attendance is as follows:

Title	Name	No. of actual attendance	% of actual attendance	p.s.
Resident Supervisor	Pao-Shing Investment Co., Ltd. Representative: Jia-Yi Wang	6	100%	
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	6	100%	
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	5	83.33%	

Other supplementary notes:

1. Composition and Responsibilities of Supervisors :

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

2. Any opinion put forward by the Supervisor(s) shall include the date of the Board Meeting, term, details of the proposal, results of the Board resolution and the Bank's action on handling the Supervisors' opinion:

Board of Directors Meeting Date and Session	Contents of the Motion	Statements of Opinion	Board of Directors Resolution and Handling
Jan 22, 2014 11 th Meeting of 8 th Board of Directors	For discussion about the Bank's "Business Strategies and Operation Policies for Various Business Lines" and "Budget of the Bank and Various Business Lines" 2014.	Suggest that Paragraph 1. Deposit Business (1) in the Motion should be amended as "to solicit mass demand deposits and new customers".	Business Planning & Administration Dept. made the amendments directly. The other parts of the Motion were approved unanimously.
July 9, 2014 14 th Meeting of 8 th Board of Directors	Reporting of the execution of legal compliance matters for the six months ended December 31, 2014.	Please state (6) self-assessment on compliance affairs and whether the business unit's actual audit result is somewhat defective? Further,	Default Loans Management Dept.: The defect refers to the contents omitted or completed in error by the unit personnel, which is identified as the deficiency of internal operation

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			whether the clerks of Yuanlin Branch, Sanchung Branch of Securities Finance Dept. and Kaohsiung Securities Branch who were against rules are disciplined?	management. The responsible supervising unit has been asked to enhance the supervision. Human Resources Dept.: The clerks of Yuanlin Branch and Sanchung Securities Branch of Securities Finance Dept. against rules have been disciplined. Default Loans Management Dept.: The employee involved in the case about the Kaohsiung Securities Branch was found to be the customer's relative, who made the payment on behalf of the customer in order to refer some fund to the customer. The Branch has been reminded of the case. The other issues are recorded for reference.
Board of Directors Meeting Date and Session	Contents of the Motion	Statements of Opinion	Board of Directors Resolution and Handling	
July 9, 2014 14 th Meeting of 8 th Board of Directors	Motion for discussion about amendments to the Bank's "Articles of Association" by renaming "Credit Card Center" into "Credit Card & Payment Finance Division" to be in line with the business development of Credit Card Center, and consolidation of subordinated units and additional functions to deal with adjustment and operation of the new organization.	Suggest that Article 18 of the Articles of Association, the functions of Compliance Dept. subordinated to the Credit Card & Payment Finance Division should be corrected as "management of contract over legal action".	Business Planning & Administration Dept. made the correction directly. The others were approved unanimously.	
August 20, 2014 15 th Meeting of 8 th Board of Directors	Motion for discussion about amendments to the Bank's limits on loan by taking into consideration of various limits on loan for various industries in order to make improvement according to the	Why is the calculations of the two business lines, "Agricultural Foods and Medical Healthcare Business" which differ from each other significantly in the attached table consolidated?	Corporate Loan Policy & Administration Dept.: The business line was categorized based on the external entities' industries. In consideration of the few volume of agricultural foods and medical healthcare business undertaken by the Bank, the calculations thereof were consolidated. Notwithstanding, the Bank	

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	FSC's opinion upon inspection.		would attend to it with caution in the future. The others were approved unanimously.
November 12, 2014 16 th Meeting of 8 th Board of Directors	Report on minute of meeting for discussion about deficiencies in internal control system.	Suggest that the safe custody management operation (e.g., record sample, control over the principal/backup keys, and limit on the number of persons entering the vault to open the safe in one time should be based on the policy applicable in the same trade and then an audit should be conducted with a view to confirming whether the existing operation is fair or not.	Business Planning & Administration Dept. will verify the policy applicable in the same trade and then proceed with discussion. The others were recorded for reference.

- (3) Items to be disclosed in Accordance with “Principles Governing Corporate Governance Practices of Banks”: Please Refer to the Bank’s Official Website:
<http://www.ubot.com.tw>
- (4) Status of implementation of The Corporate Governance, stating Discrepancy, if any, with Best Corporate Governance Practices of Banks and giving Reasons:

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
1. The Bank’s shareholder structure and shareholder equity (1) Way in which the Bank defines any internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and to implement the procedure.	v		(1) According to the Bank’s Corporate Governance Best-Practice Principles, the Bank has delegated the spokesman and deputy spokesman and established an email box to take care of the suggestions, questions and disputes from shareholders. A dispute, if any, will be handed over to the Bank’s legal counsel. The way to contact said spokesman is disclosed in the “investor relations” on the Bank’s website and on the cover page of the Bank’s annual report.	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
(2) Ways in which the Bank regularly monitors the list of key shareholders who have management control of the Bank, or those who have ultimate control of key shareholders.	v		<p>Meanwhile, the Bank has also established the e-Service Center responsible for answering to and processing of the questions raised by customers via phone, processing of customers' complaints and opinions, and follow-up on various assignments. Therefore, the inquiries about the Bank's business and shareholders' suggestions or disputes may be referred to the related units by customer service attendants, if necessary.</p> <p>(2) Based on the information detailed in the current Shareholder Register on the ex-dividend date, the Bank will report changes in shareholding to Taiwan Stock Exchange Corp. on a monthly basis pursuant to Article 25 of the Securities and Exchange Act and keep track of the shareholding status of major shareholders.</p>	No material discrepancy
(3) Ways in which the Bank establishes proper risk control mechanisms and firewalls between the Bank and its affiliated enterprises.	v		<p>(3) The Bank has put in place the "Standards Governing Supervision and Control by the Union Bank of Taiwan Over Subsidiaries" and "Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related Parties", which stipulate the risk management policies between the Bank and its subsidiaries.</p>	No material discrepancy
<p>2. Composition and responsibilities of Board of Directors:</p> <p>(1) Whether the Bank, in addition to establishing the remuneration committee and audit committee pursuant to laws, is willing to establish any other functional committees voluntarily?</p>	v		<p>(1)</p> <p>1 The Bank has set up a Remuneration Committee according to regulations and the Bank's Article of Incorporation in 19th Meeting of 7th Board of Directors on August 24, 2011 and formulated "Regulations Governing the Organization of Remuneration Committee" for compliance.</p> <p>2 The Bank has established the supervisor system. "Rules Governing the Duties and Powers of Supervisors" were formulated and adopted in the general shareholders' meeting held on June 22, 2012. Pursuant to Jin-Kuan-Zheng-Fa Order No. 10200531121 issued by the Financial Supervisory Commission on December 31, 2013, the Bank may establish an Audit Committee to</p>	No material discrepancy

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
(2) Regular evaluation of external auditors' independence.	V		<p>replace supervisors upon expiration of the term of office of current directors and supervisors (the directors of 9th Board of Directors were re-elected in June 2015).</p> <p>3 Additionally, in order to strengthen management mechanism, the Bank has set up committees such as "Asset Liability Management Committee", "Operation Automation Committee", "Investment and Credit Examination Committee", "Overdue Credit, Overdue Loan and Non-Performing Loan Handling Committee", "Trust Property Examination Committee" and "Human Resource Arbitration Committee", and their resolutions are all submitted to relevant level of authorities for approval according to Regulations governing separation of duties.</p> <p>(2) The Bank evaluates the independence of the CPA each year in accordance with the CPA Standard of Professional Ethics and Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and submits the evaluation result to the Board of Directors for review.</p> <p>1. The CPA never holds the position of director/supervisor or manager of the Bank, or the position likely to render significant influence on the Bank.</p> <p>2. The CPA does not have any direct or significantly indirect financial interest with the Bank.</p> <p>3. The CPA never acts as the Bank's independent auditor for seven years.</p> <p>4. The Statement of Independence has been issued by the CPA.</p> <p>Upon evaluation, the independent auditor retained by the Bank is held meeting the independence requirements under the corporate governance.</p>	
3. Establishment of communication channels with stakeholders	V		The Bank, in accordance with the Banking Law, establishes files of related parties, regularly controls and updates the related parties' information. In addition, related	No material discrepancy.

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			parties should also contact with the Bank through mail, telephone, fax and internet etc. All communication channels are easily accessible and smooth.	
4. Information Disclosure (1) Establishment of corporate website to disclose information regarding the Bank's financials, business and corporate governance status. (2) Other information disclosure channels (e.g. English website, designating particular person to handle information collection and disclosure, appointing spokesperson, webcasting investor conference)	V V		1. The Bank has regularly disclosed financial and corporate governance status in the Bank's website (Web address: http://www.ubot.com.tw), and will disclose related information following the relevant regulations of the competent authority. 2. Information Disclosure Method (1) A designated department is to take charge of the collection and disclosure of information on the Bank's website. (2) The Bank has set spokesperson and acting spokesperson position to be the sole outlet of the statement to the publics, and the Bank has also formulated "Procedures for Handling Significant Internal Information" for compliance. (3) The annual report is prepared each year, disclosing the relevant information in accordance with the "Standards Governing Information to be published in the Annual Report of Banks".	No material discrepancy.
5. Other important information that helps to understand the Bank's corporate governance status (such as rights of employees, care for employees, investor relations, rights of stakeholders, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customers protection policies, purchasing liability insurance for directors and supervisors, and donate to political parties, related parties and charitable foundations):	V		(1) Rights of employees and care for employees: The Bank has put in place the "Rules of Employment" to clearly define the rights and obligations of the Bank and employees. The Bank also convenes regular labor relations meeting to enhance the bank-employee relationships and ensure rights of employees. In addition, the Bank undertakes evaluation of the various remuneration and welfare policies to maximize benefits for the employees. The Bank has also put in place the "Criteria for Prevention, Reporting and Punishment of Sexual Harassment Incidences" to ensure equal employment opportunities and human dignity. (2) Investor relations: The Bank has set up an investors relationship window for a smooth communication channel. (3) Any transaction between the Bank and our stakeholders are carried out treated in accordance with the "Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related	No material discrepancy.

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			<p>Parties” and relevant regulations governing credit transactions.</p> <p>(4) Directors and Supervisors’ training records: the Bank’s directors and supervisors have taken related trainings of practical operation and company governance. The record may be accessed on the Market Observation Post System (http://newmops.tse.com.tw) and is included in the annual report.</p> <p>(5) Risk management policy and execution of the risk evaluation standards: The Bank has put in place a Risk Management Policy, established necessary risk management system and standard to effectively manage risks. (Qualitative and quantitative information for assessing the various risks. Please see Pages 108~128.).</p> <p>(6) The implementation of customers protection policies: Customers may offer comments or lodge complaints on the website or via the hotline for complaints and suggestions. The Bank’s responsible department will re-direct the issues to the relevant department for handling and follow-up. The Bank has also put in place the “Criteria and Operational Regulations Governing the Management of Suspected Illegal or Abnormal Deposit Account” and the “Organization of the Customer Dispute Processing Team & Procedures for Handling Customer Disputes” to protect the rights of customers. Take the initiative to care and effectively remind customers to prevent the suffering of loss from being cheated.</p> <p>(7) Purchasing liability insurance for directors and supervisors: It is not a constraint to purchase liability insurance for directors and supervisors in accordance with the Article 48 of the “Corporate Governance Best-Practice Principles for Banking Business”, the Bank does not purchase the mentioned liability insurance.</p> <p>(8) Donation to Political Parties, Related Parties and Charitable Foundations:</p> <p>a. The Bank established the “Union Bank Foundation” in 1998 with the aim of stimulating the continuation of local art and sponsored the various art awards including the “Union Bank Emerging Artist Award” and “Union Bank Art</p>	

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			<p>Impression Award” and art exhibitions as well as purchasing the winning artwork each year. This year, the Bank offered a total of NT\$2,866,610 in sponsorship money to these events.</p> <p>b. In support of promoting the local music and art events and the cultivation of cultural events, the Bank became a major sponsor of the “Kaohsiung City Philharmonic Cultural and Arts Foundation” from 2011 and assisting the Foundation to host regular, special, community and campus musical events and concerts. In 2014, the Bank offered a total of NT\$2,600,000 in sponsorship money to these events.</p> <p>c. The Bank partnered with Kaohsiung Rapid Transit Corp. to run the “Whistering Filming with Companionship”, “HAPPI Walking Fun”, “KRTC Prestige Lecture Class” and “Winter Sun to Communicate Heartwarming Happiness” to communicate the new happy series activities. In 2014, the budget sponsored by the Bank totaled NT\$500,000.</p> <p>d. In August 2014, the Bank donated NT\$10 million to the exclusive donation account of Kaohsiung City Government. The Bank also took part in the art healing plan for mental disordered children in Q4, and subscribed the tickets for the children’s two public shows in North and South Taiwan. The budget sponsored by the Bank was about NT\$440,000.</p>	
6 If the Bank has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, please specify the board of director’s suggestions, the results of self-evaluation or commissioned evaluation, major deficiencies or suggestions, and improvements should be stated, if any (Note 2).	V		The Bank prepares the self-evaluation report periodically. The Bank has also made the various information disclosures in accordance with the “Corporate Governance Best-Practice Principles for Banking Business” and made improvements according to the corporate governance evaluation result of the “Corporate Governance Center” of Taiwan Stock Exchange Corp.	No material discrepancy.



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Note 1: The status of operation must be specified in the Memo section, irrelevant with whether the answer is “Yes” or “No”.

Note 2: The corporate governance self-evaluation report referred to herein means the report stating a company’s self-evaluation and remark on the operation and status of corporate governance of the company based on the scope of the company’s corporate governance self-evaluation.

- (5) The composition, responsibilities and operation status of the Salary and Remuneration Committee of the Bank:

A. Members of Salary and Remuneration Committee of the Bank

Title	Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)								Serving as an independent director of other public companies	p.s. (Note 3)
		(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Independent Director	Zen-Fa Lu		✓		✓	✓	✓	✓	✓	✓	✓	✓	0	qualified
Other	Lee, Hau-Sen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Lee, Tzung-Hang	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: With over 5 years of work experience and the following professional qualification

(1): Instructor, or higher up, of a public or private junior college, college or university, in Business, Law, Finance, Accounting or other departments as required by corporate business.

(2): Judge, prosecutor, solicitor, Certified Public Account or professionally qualified and technical person as required by the company.

(3): Experience in Business, Law, Finance, Accounting or as required by corporate business.

Note 2: Two years before the directors and supervisors are elected or during the period they are on the jobs, if they meet the following criteria, please make a "✓" mark in the space under the criteria codes.

(1): Not an employee of the Bank; nor an employee of its affiliated enterprises.

(2): Not a director or supervisor of the Bank or its affiliated enterprises (Does not include the independent directors of the Bank or its parent company or subsidiaries in which the Bank holds more than 50% of the shares).

(3): Not directly or indirectly own more than 1% of the Bank's outstanding shares; nor is one of the top ten non-institutional shareholders of the Bank.

(4): Not a spouse or within second-degree relation or third-degree immediate relation to any person specified in the preceding three criteria.

(5): Not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Bank's issued shares; nor a director, supervisor or employee of the top five legal entities which are owners of the Bank's issued shares.

(6): Not a director, supervisor, or manager of a company which has a business relationship with the Bank; nor a shareholder who owns more than 5% of such a company.

(7): Not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with financial, business consulting, or legal services.

(8): Not a person under the circumstances specified in Article 30 of the R.O.C. Company Act.

Note 3: For a member who is also a director, explain if he or she meets the criteria set out in Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

B. Operations of Salary and Remuneration Committee of the Bank

a. There are three people in the Salary and Remuneration Committee of the Bank.

b. The term of commissioner: 2012,7,4 to 2015,6,21. Salary and Remuneration Committee of the Bank held 2 meetings in 2014. The status of attendance was as follows:

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



Corporate Governance

Commissioner	Lee, Tzung-Hang	2	0	100%	
Other Necessary Notes:					
1 Board of directors decline to adopt or require to modify recommendations of the remuneration committee: None.					
2 Resolutions of the remuneration committee to which a member or members of the committee has or have expressed dissents or reservations which were recorded or made in writing: None.					

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(6) Fulfillment of Corporate Social Responsibilities:

Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
<p>1. Exercising Corporate Governance:</p> <p>(1) Formulation of the corporate social responsibility policies or systems and review of the status and results of implementation.</p>	V		(1) The Bank has enacted its corporate social responsibility best-practice principles at 18 th Meeting of 8 th Board of Directors on March 18, 2015, and submitted the motion for the same to the shareholders' meeting and then implemented the same as the basis to be bound by the Bank and its subsidiaries. Further, the "Corporate Social Responsibility Committee" established by the Bank would review the status and implementation effect of the Bank's corporate social responsibility policy.	No material discrepancy
<p>(2) Whether the Bank has hold regular social responsibility educational and training activities?</p>	V		(2) According to the Bank's corporate social responsibility best-practice principles, the Bank would hold regular educational and training activities each year, including propagation of the Bank's corporate social responsibility policy, system and related management policy and specific boosting program approved upon resolution of the Board of Directors, arrangement of directors/supervisors to attend the corporate governance programs organized by the training organizations, and arrangement of the Bank's staff to attend compliance educational and training programs.	
<p>(3) Whether the Bank has established a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the</p>	V		(3) The Bank enacted the "Regulations Governing Establishment of Corporate Social Responsibility Committee" in January 2015	

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
<p>high-rank management authorized by the board of directors who shall be responsible for reporting the status thereof to the board of directors?</p> <p>(4) Whether the Bank has defined some reasonable compensation policy, integrated corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?</p>	V		<p>and established the Bank's "Corporate Social Responsibility Committee" responsible for consolidating the Bank's corporate social responsibility policy, management policy and specific boosting programs, and reporting the status thereof to the Board of Directors to fulfill its corporate social responsibility.</p> <p>(4) The Bank's "Guidelines for Payroll under Personnel Management Regulations" have defined the standards about granting of salary, allowance, compensation and bonus. In addition to the fixed monthly salary, the Bank would grant employees the year-end bonus and employee bonus based on the entire operating results and personal performance, and also defined reasonable compensation policy by integrating the corporate social responsibility policy.</p>	
			<p>Compensation policy: the Bank enacts the "Criteria for Handling Employee Merit/Disciplinary Incidents" separately.</p>	
<p>2. Fostering a Sustainable Environment:</p> <p>(1) The Bank's endeavor to utilize all resources more efficiently and use renewable materials that have a low impact on the environment to improve sustainability of natural resources.</p>	V		<p>(1) Promote and urge employees to recycle used resources and reduce the amount of wastes. Give priority to the use of green energy products with Green Building Material Certification Logo, Environmental Protection Certification Logo and Water Saving Certification Logo. We have set up a database of the various idle facility and equipment, which is to be checked prior to procurement of new office equipment to ensure that existing</p>	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
<p>(2) Establishment of proper environment management systems based on the characteristics of its industry.</p> <p>(3) Monitoring of the impact of climate change on the Bank's operations and execution of greenhouse gas inspection and establishment of company strategies for energy conservation and carbon reduction and greenhouse gas reduction.</p>	V		<p>resources are used efficiently. Environmental friendly products will be considered as the first priority where new equipment is to be purchased.</p> <p>(2) The Bank delegated the personnel dedicated to environmental management in General Affairs Dept., who should be responsible for establishing the environmental management system. For the time being, they would conduct the environmental inspection about concentration of CO2 and lighting brightness once per six months according to the occupational safety & hygiene laws and regulations to control the quality of air indoor and maintain the adequate brightness in the operational environment.</p> <p>(3) The Bank is scheduled to execute the greenhouse gas inspection and disclosure and to enact the energy saving and carbon reduction and greenhouse gas reduction strategies in 2015.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Whether the Bank has established the related management policies and procedures in accordance with the relevant laws and international human right conventions?</p> <p>(2) Whether the Bank has established any employee complaining mechanism and channel, and taken care of the complaint adequately?</p> <p>(3) Whether the Bank has provided safe and healthful work environments and training on safety and health for employees on a regular basis?</p>	V		<p>(1) The Bank complies with the related labor laws and regulations and also respects the standard labor human right conventions recognized internationally, protect employees' legal interest and right and non-discrimination employment policy, establish adequate management policies and procedure, and execute the same precisely.</p> <p>(2) The Bank has defined the "employee complaining system" and would take care of complaints adequately.</p> <p>(3) The Bank provides employees with safe and healthy work environment and performs labor</p>	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
			safety & health on-the-job education and training periodically.	
(4) Whether the Bank has constructed the periodical communication mechanism with employees and also informs them of operational change that might cause major impact to them in reasonable manner?	v		(4) The Bank has instituted several mechanisms including the web-based “Employees Corner” and “Employee Comments and Suggestions Form” to provide employees with the opportunity to offer comments and suggestions at any time.	No material discrepancy
(5) Whether the Bank has established some effective career development training plan for employees?	v		(5) In order to upgrade employees’ expertise, the Bank will organize various training programs and workshops and assign staff to attend various external professional training programs from time to time each year. Further, the training of the Bank clerks’ career capability is also executed through the job rotation system.	
(6) Whether the Bank has established the related consumer protection policies and complaining procedures toward the R&D, procurement, production, operation and service procedures?	v		(6) In order to protect consumers’ interest and right, the Bank has defined the “Procedure for Processing of Customers’ Complaints” which would be applied when any customer raises any dispute over the Bank’s products and services in person or via the Bank, the competent authority or any other complaining channels, by phone or email, or in writing, or via fax. Meanwhile, the dedicated unit would be responsible for following up the case to resolve the dispute for customers efficiently and rapidly, and also analyzing and gather statistics of the complaints to order various units to investigate and make improvement, so as to prevent the same case from arising again. In	

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
(7) Whether the Bank markets and labels products and services in accordance with the related laws and international practices?	v		<p>addition to the hotline for customers' complaints, the Bank also establishes the "Taskforce Dedicated to processing of Consumers' Dispute" to resolve dispute independently and ensure that the customers' problems may be resolved amicably.</p> <p>(7) The Bank is used to marketing and labeling products and services in accordance with various laws and regulations. If necessary, the Bank will also ask the Legal Affairs & Compliance Dept. for opinion.</p>	
<p>(8) Whether the Bank has assessed the supplier's record about environmental protection and society before trading with the supplier?</p> <p>(9) Whether the contract between the Bank and its main supplier includes the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Bank may terminate or rescind the contract at any time?</p>	v v		<p>(8) Before trading with any supplier, the Bank would meet the relevant requirements according to the Bank's procurement-related regulations and corporate social responsibility best-practice principles.</p> <p>(9) When the Bank is aware of any supplier suspected of violating its corporate social responsibility and renders remarkable effect on the environment or society (e.g., the food safety issue) during any special marketing activities, the Bank would stop the activities immediately.</p>	No material discrepancy
<p>4. Enhancing Disclosure of Corporate Social Responsibility(CSR) Information: Whether the Bank has disclosed relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?</p>	v		<p>The Bank has installed the CSR area on its website to disclose its CSR philosophy and policy. Meanwhile, the Bank would disclose the important information related to the Bank's CSR on MOPS. By</p>	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
			preparing the CSR report, the Bank states its efforts and policies in respect of economy, society and environment. The report is posted on the Bank's website available for access and downloading by the public.	
5.			If the Bank has established its own corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the policies and their implementation: The Bank has put in place its own "Corporate Social Responsibility Best-Practice Principles" upon approval of 18 th Meeting of 8 th Board of Directors on March 18, 2015 and would implement the same upon resolution at a shareholders' meeting. The Bank upholds the belief of "giving back to society what we have benefited from it" and is dedicated to promoting the various charitable events on a long-term basis as a way of fulfilling our corporate social responsibilities and also comply with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". Therefore, there is no material discrepancy.	
6.			Other important information to facilitate better understanding of the Bank's corporate social responsibility practices (e.g., environmental protection, community involvement, social contribution, social work, social welfare, consumer rights, human rights, safety and hygiene and the adopted policies and measures to fulfill corporate social responsibilities and the status of performing such responsibilities).	
7.			If any of the Bank's products or the CSR Report has been accredited to the standards of an external validation agency, provide details: None.	

Note 1: The status of operation must be specified in the Memo section, irrelevant with whether the answer is "Yes" or "No".

Note 2: Where the Bank has prepared the CSR report, the memo section may specify the way to access the CSR report and be replaced by index pages.

(7) Fulfillment of ethical Management and Adopted measures:

Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
1. Formulate the Policy and Procedures for Ethical Management (1) Whether the Bank has expressly stated the ethical policy and its fulfillment by the board of directors and the management in its Articles of Incorporation and public documents?	V		(1) The Bank has defined the "Union Bank of Taiwan Ethical Corporate Management Best-Practice Principles" upon approval of the Board of Directors on March 18, 2015, and also expressly stated in these Principles that the Board of Directors and management	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
<p>(2) Whether the Bank has defined the policy against unethical conduct, and expressly stated the SOP, guidelines and reward and disciplinary & complaining systems for misconduct, and also implemented the policy precisely?</p> <p>(3) Whether the Bank takes any prevention measures against the operating activities involving high unethical conduct under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or within other operating areas?</p>	V		<p>shall commit to fulfill these Principles actively. In order to perform the commitment, the Bank asks the Audit Dept. to supervise fulfillment of the ethical corporate management policy and check whether there is any unethical conduct in the Bank, and evaluate the compliance about the related operational flows to produce report to the Board of Directors.</p> <p>(2) To define the policy against unethical conduct, the Bank has expressly stated the Bank's operating procedures, conduct guidelines, and reward and disciplinary & complaining system for misconduct in the Bank's H.R. management regulations and work rules.</p> <p>(3) Each of the Bank's business lines is subject to strict internal control and risk control. In addition to following the requirements of competent authorities and competent entities in charge of the business lines, the Bank also establishes such units as compliance, audit and risk management. The prevention programs referred to in the preceding paragraph also define the relevant regulations prohibiting bribery to ensure the Company's ethical management. Meanwhile, the Bank's directors will adhere to the high self-discipline principle, and recuse themselves from any discussion or voting for any motions in which they have conflict of interest voluntarily, and are free from any unjust enrichment resulting in damage to the interest and right of the Bank's customers and shareholders.</p>	
<p>2. Implementation of Ethnical Management</p> <p>(1) Whether the Bank has evaluated the ethical record of trading counterparts and specifically set out the ethical management</p>	V		<p>(1) The Bank's business activities shall avoid any trading with persons with unethical record, and the Bank</p>	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
<p>clause in business contract?</p> <p>(2) Whether the Bank has established a dedicated unit (concurrently engaged in) to promote ethical corporate management under supervision by the board of directors who shall be responsible for reporting the status thereof to the board of directors periodically?</p> <p>(3) Whether the Bank has defined the policy to prevent conflict of interest and to offer appropriate channels for providing a statement in regard to the situation, and implemented the same precisely?</p> <p>(4) Whether the Bank has implemented effective accounting policies and internal controls system established by the Bank to carry out ethical management and the status of audits conducted by internal auditors or external auditors?</p> <p>(5) Whether the Bank has organized internal/external educational and training programs for ethical corporate management periodically?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>plans to expressly state the clause about compliance with the Bank's ethical management policy in contracts. Meanwhile, before conclusion of any contract, the Bank will have the contract reviewed by the legal affairs unit to ensure the right, obligation and validity of the contract.</p> <p>(2) The Bank appoints the Audit Dept. to supervise the promotion of the Bank's ethical management policy and execution of the Bank's prevention programs, and to report to the Board of Directors periodically.</p> <p>(3) The Bank's policy and channel against conflict of interest are separately defined in the work rules, employees' service rules, employee complaining system (counterpart: employees) and parliamentary rules for directors' meetings (counterpart: directors), both of which are implemented precisely.</p> <p>(4) The Bank's accounting system is established under the generally accepted accounting principles. The Bank's internal control system is established under the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", in order to promote the corporate well-founded operation and ensure fulfillment of operating effect and efficiency, reliability of related financial statements and compliance with laws. Audit units will also review the design and validity of execution of the internal control system through the internal audit system and self-audit system.</p> <p>(5) According to the Bank's ethical corporate management best-practice principles, the Bank will organize the internal propagation activity to communicate the importance of ethics to directors, employees and appointees from time to time. The related staff will also attend the related workshops and educational training programs organized by</p>	

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
			external entities.	
<p>3. Status of the Bank's complaint system</p> <p>(1) Whether the Bank has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p> <p>(2) Whether the Bank has defined the standard operating procedure and non-disclosure mechanism toward the investigation on the complaints as accepted?</p> <p>(3) Whether the Bank has adopted the measures for protecting complainants from inappropriate disciplinary actions due to their complaints?</p>	V V V		<p>The Bank's ethical corporate management best-practice principles have defined the relevant complaining and operating procedures. The Bank also established an internal independent email box and hotline for complaints available to the Bank's internal and external personnel. The dedicated unit will designate competent dedicated personnel subject to the circumstances, declare in writing to keep confidential the complainant's ID and contents of the complaint and undertake to protect complainants from unfair treatment due to the complaints.</p>	No material discrepancy
<p>4. Enhancing Information Disclosure</p> <p>(1) Whether the Bank has disclosed the content and the status of implementation of its ethical corporate management best practice principles on its websites and the MOPS?</p>	V		<p>The "Corporate Governance Area" is set up on the Bank's website to disclose the requirements about ethical corporate management best-practice principles and status of the implementation thereof. Further, for transparency of information, the related information has been also uploaded to the MOPS for access by investors.</p>	No material discrepancy
<p>5. If the Bank has established corporate ethical management based on "Corporate Ethical Management Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any discrepancy between the policies and their implementation: The Bank has established the "Union Bank of Taiwan Corporate Ethical Management Best Practice Principles" and "Work Rules" setting out that employees are required to carry out their duties ethically and dutifully and comply with regulatory requirements, policies, and service standards prescribed by the Bank. The company shall be managed in accordance with regulatory requirements and internal procedures to maximise investor benefits. There is no discrepancy between the Bank's operation of ethical management and said "Corporate Ethical Management Best Practice Principles for TWSE/GTSE-Listed Companies".</p>				
<p>6. Other important information beneficial in understanding the status of implementation of the Bank's ethical management practices (such as the Bank's review and revision to the ethical management principles): The Bank has expressly stated in the "Union Bank of Taiwan Corporate Ethical Management Best Practice Principles" that the Board of Directors and management shall undertake to implement the regulations under the Principles. In order to perform the undertaking, the Bank has the Audit Dept. supervise the status of implementation of ethical management policies and audit whether there is any unethical conduct in the Bank periodically, and evaluate compliance of the related business flows, and produce the related report to the Board of Directors.</p>				

Note 1: The status of operation must be specified in the Memo section, irrelevant with whether the answer is "Yes" or "No".

(8) Operating procedure for internal important information:

In order to establish the Bank's fair important internal information processing and disclosure mechanism to prevent information from being disclosed inadequately and to ensure the accuracy and consistency of the information released by the Bank to the public and enhance the control over prevention of insider trading, the Bank defined the "Operating Procedure for Processing of Important Internal Information". Please refer to

- the corporate governance at MOPS (<http://mops.twse.com.tw>).
- (9) Corporate governance principles and methods for searching the relevant regulations: Please refer to the corporate governance at MOPS (<http://mops.twse.com.tw>).
- (10) Other material information sufficient to enhance understanding of the status of the Bank's corporate governance practices: Please refer to the Bank's website (<http://www.ubot.com.tw>).
- (11) Execution of the Internal Controls System
- A. Where an independent auditor is appointed to perform audit on the internal controls system, the auditor's report shall be disclosed: None.
- B. Statement of Internal Control:



Statement of Internal Controls System

March 23, 2015

To Financial Supervisory Commission:

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2014 to December 31, 2014, we have duly complied with the "Enforcement Regulations for Bank Internal Audit Control System" in establishing its internal system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Supervisors. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems of Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, all business units' internal control and law compliance have been in effect during the year. This Statement will be included as the main content of the Bank's annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Law will be involved.

Chairman: Shiang-Chang Lee



President: Jeff Lin



Corporate Governance

Chief Auditor: Kuo-Pao Kang



Compliance Officer of the Bank
Yan-Tsung Kao



Attachment Internal Control Deficiencies and Improvement Plan

Deficiency	Improvement Plan	Estimated Completion Date
None	None	None

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

Disclosed Matter	Major Deficiency	Status of Improvement
(1) Responsible person or employees of the Bank violated the law when conducting business and resulted in an indictment by a prosecutor.	None	None
(2) A fine was levied on the Bank by the Financial Supervisory Commission for violations of laws and regulations.	None	None
(3) Misconduct occurred and resulted in the Financial Supervisory Commission's imposing strict corrective measures.	None	None
(4) Punishment imposed by the Financial Supervisory Commission in accordance with Paragraph 1, Article 61-1 of the Banking Act of ROC	None	None
(5) Accidents occurring as a result of a fraud, major non-recurring incidence or failure to comply with the Guidelines for Maintaining the Security of Financial Institutions, as a result of which individual or accumulated losses during the year amounted to NT\$ 50 million or more and therefore the nature and amount of loss for which shall be disclosed.	None	None
(6) Other necessary disclosures prescribed by the Financial Supervisory Commission.	None	None

(13) Material Resolutions of Shareholders Meetings or Board of Directors Meetings During

the Current Fiscal Year up to the Date of Printing of the Annual Report

- A. Major Resolutions of Shareholders' Meeting of 2014 and their Implementation Status
 - a. Annual Accounts for 2013: Resolution Approved.
 - b. Appropriation of 2013 Earnings: Resolution Approved.
 - c. Amendments to the Bank's "Articles of Incorporation" in part: Resolution Approved.
 - d. Amendments to the Bank's "Operating Procedure for Acquisition or Disposition of Assets" in part: Resolution Approved.
 - e. Change of the Bank's "Regulations Governing Election of Directors and Supervisors" into "Regulations Governing Election of Directors" and amendments to the Regulations in part: Resolution Approved.
 - f. Capital increase by capitalization of earnings and employee bonus and issuance of new shares: Resolution Approved.

- B. Major Resolutions of Board Meetings During 2014 up to the Date of Printing of the Annual Report:
 - a. At 11th Meeting of 8th Board of Directors held on January 22, 2014, the directors resolved to approve the 2014 management strategies and various business policies and budgets.
 - b. At 12th Meeting of 8th Board of Directors held on March 19, 2014, the directors resolved to approve the "Articles of Incorporation", "Operational Guidelines for Related Party Transactions Other Than Loans", "Segregation of Responsibilities for Internal Assessment of Accounting Affairs", "Procedures for Acquisition and Disposition of Assets" and change of the "Regulations Governing Election of Directors and Supervisors" to "Regulations Governing Election of Directors" as well as revision to parts of the regulations.
 - c. At 12th Meeting of 8th Board of Directors held on March 19, 2014, the directors resolved to approve the "2013 business report and individual financial statements audited by the external auditor (including the consolidated financial statements of subsidiaries)", "2013 earnings appropriation" and "capital increase by capitalizing earnings and employee bonuses (appropriation of NT\$2,283,020,875)".
 - d. At 13th Meeting of 8th Board of Directors held on May 7, 2014, the directors resolved to approve the "Independence of CPAs and CPA Professional Fees".
 - e. At 14th Meeting of 8th Board of Directors held on July 9, 2014, the directors resolved to set "August 2, 2014 to be the record date for distribution of stock dividends by capital increase and issuance of new shares".
 - f. At 15th Meeting of the 8th Board of Directors held on August 20, 2014, the directors resolved to approve the "Individual Financial Statements for the period ended June 30, 2014 audited by external auditors and consolidated financial statements for the same period reviewed by the external auditors".
 - g. At 17th Meeting of 8th Board of Directors held on February 11, 2015, the directors approved the "Budget of the Bank and Respective Business Line 2015", "Operating Policy for Respective Business Line", and proposal to issue subordinate debt for a total amount up to NT\$ 5 billion (incl.) for maturities

- between 5.5 years (incl.) and 10 years (incl.).
- h. At 17th meeting of 8th Board of Directors held on February 11, 2015, the directors resolved to approve the amendments to “Articles of Incorporation” and “Parliamentary Rules for Shareholders’ Meetings”, addition of “Articles of Association for Audit Committee”, abolishment of “the Regulations Governing Functions of Supervisors” and amendments to the “Parliamentary Rules for Directors’ Meetings”, amendments to the “Articles of Association, and rename of “Default Loans Management Dept.” into “Legal Affairs and Compliance Dept.”, and motion for delegation of the compliance officer of Head Office.
 - i. At 18th Meeting of 8th Board of Directors held on March 18, 2015, the directors resolved to approve the amendments to the “Regulations Governing Issuance of Financial Bonds”, supplementary amendments to the “Parliamentary Rules for Shareholders’ Meetings”, re-enactment of the “Procedure for Election of Directors” and abolishment of the “Regulations Governing Election of Directors” to be in line with the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” amended by the competent authority, enactment of the “Corporate Social Responsibility Best-Practice Principles”, enactment of the “Ethical Corporate Management Best-Practice Principles”, and enactment of the “Corporate Governance Best-Practice Principles”.

(14) During the current fiscal year up to the date of printing of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal context thereof: None.

(15) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of persons connected with the company’s financial report: None.

4. Information on CPA professional fees

(1)

Name of CPA Firm	Name of CPA		Audit Period	Note
T N Soong & Co and Deloitte & Touche	Terence Huang	Vincent Cheng	January ~ December 2014	

CPA Professional Fees Bracket

Fees Bracket		Type of Fees	Audit Fees	Non-audit Fees	Total
1	Under 2,000			V	
2	2,000 (incl.) ~4,000				
3	4,000 (incl.) ~6,000				
4	6,000 (incl.) ~8,000		V		
5	8,000 (incl.) ~10,000				V

In NT\$ thousand

Corporate Governance

Fees Bracket		Type of Fees	Audit Fees	Non-audit Fees	Total
6	10,000 and above				

- (2) Disclosure of the amount and service contents of payment to external auditors, the employer of the external auditors and affiliates on non-audit fees accounted for 25% of the fees for financial audit services: None
- (3) Change of audit engagement and that the audit fee for the year of change is less than that charged for the year prior to the change: None.
- (4) Auditing fee is 15% or more below the fee charged for the previous year: None.

5. Information on change of CPA: None.

6. The Chairman, President and Executive Officers in charge of the Bank's financial or accounting affairs who have, during the past year, served a position in the CPA firm to which or its affiliated enterprises the independent auditor(s) belong to: None.

7. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity in accordance with Paragraph 3, Article 25 of the Banking Act. :

(1) Changes in shareholding

Title	Name	2014		April 28, 2015	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	118,924	0	0	0
Independent Director	Kao-Jing Wang	0	0	0	0
Independent Director	Zen-Fa Lu	0	0	0	0
Director	Union Construction Enterprise Co., Ltd.	8,008,010	0	0	0
Director	Chen-Chern Investment Co., Ltd.	11,014,602	0	0	0
Director	Yu-Pang Co., Ltd.	3,345,266	0	0	0
Director	Chi-Shun Investment Co., Ltd.	8,199,482	0	1,329,000	0
Managing Director	Chen-Chern Investment Co., Ltd.	11,014,602	0	0	0
Director	Yu-Quan Lee	310,011	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	8,013,625	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	8,013,625	0	0	0

Corporate Governance

Title	Name	2014		April 28, 2015	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Supervisor	Pai-Sheng Investment Co., Ltd.	11,715,114	0	0	0
President	Jeff Lin	492,872	0	0	0
SEVP	Yin-Bor Chan	50,501	0	0	0
SEVP	Herman Tu	36,870	0	0	0
SEVP	Cheng-Yu Liu	16,153	0	0	0
Chief Auditor	Kuo-Pao Kang	13,177	0	0	0
EVP	Hsia, Kuo-Hsien	12,328	0	0	0
EVP	Cheng-Juh Hsieh	40,416	0	0	0
Manager	Michael Lin	11,732	0	0	0
Manager	Wu-Lien Peng	46,833	0	0	0
Manager	Lin-Sheng Yu	8,093	0	0	0
Manager	Kuang-Han Liu	5,781	0	0	0
Manager	Chan-Kwei Chen	11,846	0	0	0
Manager	Jeng-Ping Liu	(12,357)	0	0	0
Manager	Wendy Chi	11,416	0	0	0
Manager	Ching-Shou Liu	14,151	0	0	0
Manager	Chien-Hui Li	5,206	0	0	0
Manager	Jen-Chung Cheng	8,926	0	0	0
Manager	Patty Chen	4,759	0	0	0
Manager	Su-Yean Lo	5,460	0	0	0
Manager	Ru-Ji Cheng	6,856	0	0	0
Manager	Liang-Kuei Kuo	0	0	0	0
Manager	Hann-Tsau Tsai	29,007	0	0	0
Manager	Chang-Yung Chen	22,461	0	0	0
Manager	Wen-Chien Chien	8,745	0	0	0
Manager	Chia-Yu Chuo	5,674	0	0	0
Manager	Joy Tang	11,371	0	0	0
Manager	Luke Yang	15,968	0	0	0
Manager	Buo-Cheng Lee	13,495	0	0	0
Manager	Liu, Chueh-Ling	8,839	0	0	0
Manager	Kuo-Kuang Chou	4,491	0	0	0
Manager	Kuen-Yuan Tsai	8,418	0	0	0
Manager	Jacky Liao	5,667	0	0	0
Manager	Rong-Hui Huang	8,226	0	0	0
Manager	Jane Lu	10,432	0	0	0
Manager	Wen-Chi Chiang	3,978	0	0	0
Manager	Hedy Wei	4,352	0	0	0
Manager	Yu-Hsiu Hsu	7,720	0	0	0
Manager	Peter Chien	48,962	0	0	0
Manager	Shih-Shien Chene	0	0	0	0
Manager	Russell YC Chang	18,902	0	0	0
Manager	Chang-Chen Lin	5,951	0	0	0
Manager	Gary Tsai	5,637	0	0	0

Corporate Governance

Title	Name	2014		April 28, 2015	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Mei-Lan Lin	4,876	0	0	0
Manager	Yao-Tsung Kao	10,721	0	0	0
Manager	Chu-Shih Wei	5,667	0	0	0
Manager	Sophie Hsu	9,851	0	0	0
Manager	Michael Lee	7,424	0	0	0
Manager	Ching-Chung Lin	17,441	0	0	0
Manager	Denfer Hung	8,625	0	0	0
Manager	Chien-Lung Chen	15,132	0	0	0
Manager	Tawei Shih	7,085	0	0	0
Manager	Shu-Feng Hsueh	6,557	0	0	0
Manager	Lawrence Chen	9,140	0	0	0
Manager	Yeong-Jin Hwang	7,333	0	0	0
Manager	Meng-Hsia Wu	10,146	0	0	0
Manager	Chien-Chung Su	5,612	0	0	0
Manager	Hui-Chin Yang	0	0	0	0
Manager	Ye-Yan Lin	6,139	0	0	0
Manager	Ching-Wen Chen	8,351	0	0	0
Manager	Chih-Chung Chang	8,448	0	0	0
Manager	Fang-Ni Wang	6,418	0	0	0
Manager	Lanny Liaw	0	0	0	0
Manager	Yen-Jou Liu	5,972	0	5,000	0
Manager	Pauline Sheng	8,191	0	0	0
Manager	Jimmy Chou	5,738	0	0	0
Manager	Shen-Yung Peng	2,750	0	0	0
Manager	Mary Huang	5,547	0	0	0
Manager	Terrence Lin	0	0	0	0
Manager	Teh-Chin Tsai	15,062	0	0	0
Manager	Huang-Wen Huang	10,301	0	0	0
Manager	Hsiu-Yun Su	7,234	0	0	0
Manager	Shis-Wen Lu	4,858	0	0	0
Manager	Kuan-Hong Lee	4,104	0	0	0
Manager	Hung-Min Chen	7,123	0	0	0
Manager	James Tsai	10,502	0	0	0
Manager	Hui-Fen Chao	14,409	0	5,000	0
Manager	Chia-Wei Lin	5,581	0	0	0
Manager	Shih-Yuan Liaw	4,704	0	0	0
Manager	Chiung-Yu O	5,323	0	0	0
Manager	Chien-Chung Wu	6,299	0	0	0
Manager	Wu-Yuan Chen	8,273	0	0	0
Manager	Shan-Chih Yen	9,074	0	0	0
Manager	Ta-Yu Chin	8,604	0	0	0
Manager	Chi-Fang Chu	3,313	0	0	0
Manager	Candy Lin	7,259	0	0	0
Manager	Roger Chang	1,307	0	0	0

Corporate Governance

Title	Name	2014		April 28, 2015	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Hsien-Ming Yen	7,529	0	0	0
Manager	Feng-Li Lin	9,117	0	0	0
Manager	Miao-Hui Yeh	12,905	0	0	0
Manager	CM Huang	37,569	0	0	0
Manager	I-Wen Ho	10,764	0	0	0
Manager	Jeffery Tsai	10,171	0	0	0
Manager	Ju-Ling Kuo	17,555	0	0	0
Manager	Wen-Hui Lin	9,316	0	0	0
Manager	Miranda Tsai	6,543	0	0	0
Manager	Kuen-Cheng Chou	7,132	0	0	0
Manager	Jyh-Chiang Huang	12,658	0	0	0
Manager	Jenny Cheng	6,415	0	0	0
Manager	Wen-Jui Chou	5,988	0	0	0
Manager	Ping-Hui Lin	8,359	0	0	0
Manager	Shiu-Lan Hsieh	8,630	0	0	0
Manager	Tereasa Lin	7,048	0	0	0
Manager	Amy Chung	6,505	0	0	0
Manager	Yao-Hsien Lee	15,131	0	0	0
Manager	Chao-Chuan Chuang	4,740	0	0	0
Manager	Jung-Hsiang Chung	7,793	0	0	0
Manager	Richard Yang	5,951	0	0	0
Manager	Chang-Fu Tsai	6,234	0	0	0
Manager	Connie Tseng	7,793	0	0	0
Manager	Lisa Lu	10,065	0	0	0
Manager	Shiu-Ju Huang	4,862	0	0	0
Manager	Chin-Chung Kuan	6,287	0	0	0
Manager	Ming-Chung Guo	0	0	0	0
Manager	Mei-Ling Lee	7,595	0	0	0
Manager	Yanger Yang	11,222	0	0	0
Manager	Tarsicio Tong	15,979	0	0	0
Major Shareholder	Tsong-Li Investment Co., Ltd.	26,520,269	0	0	0
Major Shareholder	Pai-Sheng Investment Co., Ltd.	11,715,114	0	0	0
Major Shareholder	Tien-Sheng Investment Co., Ltd.	11,408,270	0	0	0
Major Shareholder	Chen-Chern Investment Co., Ltd.	11,014,602	0	0	0
Major Shareholder	Chien-Tuan Investment Co., Ltd.	10,620,609	0	0	0
Major Shareholder	Wei-Chih Investment Co., Ltd.	9,830,613	0	0	0
Major Shareholder	Chuo-Pao Investment Co., Ltd.	9,567,286	0	0	0
Major Shareholder	Kun-Che Investment Co., Ltd.	8,810,563	0	0	0
Major Shareholder	Jan-Pang Investment Co., Ltd.	8,488,178	0	0	0

Corporate Governance

Title	Name	2014		April 28, 2015	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Major Shareholder	Chi-Shun Investment Co., Ltd.	8,199,482	0	1,329,000	0
Major Shareholder	Pao-Shing Investment Co., Ltd.	8,013,625	0	0	0
Major Shareholder	Union Enterprise Construction Co., Ltd.	8,008,010	0	0	0
Major Shareholder	Hung-Hsiang Investment Co., Ltd.	7,930,290	0	0	0
Major Shareholder	Hong-Gow Investment Co., Ltd.	7,416,845	0	0	0
Major Shareholder	Bai-Ing Investment Co., Ltd.	7,306,573	0	0	0
Major Shareholder	Chen-Sheng Investment Co., Ltd.	6,875,318	0	0	0
Major Shareholder	Lin, Chang Su-O	6,835,302	0	0	0
Major Shareholder	Lin Rong San Foundation of Culture and Social Welfare	3,183,182	0	0	0
Major Shareholder	Hong-Pern Construction Co., Ltd.	5,217,998	0	0	0
Major Shareholder	Hong-Pang Construction Co., Ltd.	4,415,662	0	0	0
Major Shareholder	Union Recreation Enterprise Co., Ltd.	3,873,899	0	0	0
Major Shareholder	Yu-Pang Co., Ltd.	3,345,266	0	0	0

- (2) Information on Share Transfer: Not applicable as the counter parties to the share transfer are non-related parties.
- (3) Information on Share Pledge: Not applicable as there is no change on the share pledge.

8. Information for Top 10 Shareholders Being the Related Parties

April 28, 2015 Unit: Shares ; %

Shareholder ^(Note 1)	Shareholding		Spouse or minor children's shareholding		Top 10 shareholders being the related parties to each other		Name of and Relationship Between the Top Ten Shareholders Being A Related Party as Defined in Statements of Financial Accounting Standards No. 6	
	Shares (Preferred Stock Included)	%	Shares	%	Shares	%	Name	Relation

Corporate Governance

Shareholder ^(Note 1)	Shareholding		Spouse or minor children's shareholding		Top 10 shareholders being the related parties to each other		Name of and Relationship Between the Top Ten Shareholders Being A Related Party as Defined in Statements of Financial Accounting Standards No. 6	
	Shares (Preferred Stock Included)	%	Shares	%	Shares	%	Name	Relation
Tsong Li Investment Co., Ltd. Representative: Hong-Bung Lin	196,922,448 0	8.03% 0	- -	- -	- -	- -		
Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	125,454,092 273,431	5.11% 0.01%	- 1,414,963	- 0.05%	- -	- -	Chu-Pao Investment Co., Ltd. Pai-Sheng Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Tien-Sheng Investment Co., Ltd. Representative: Sue-Feng Tsao	122,168,179 3,335	4.98% 0	-	-	-	-		
Chen-Chern Investment Co., Ltd. Representative: Chung- Yu Lee	117,952,491 107,967	4.81% 0						
Chien-Yuan Investment Co., Ltd. Representative: C.C. Chang	113,733,325 527,886	4.64% 0.02%	- -	- -	- -	- -		-
Wei-Chih Investment Co., Ltd. Representative: S.S. Yeh	105,273,459 0	4.29% 0	-	-	-	-		

Corporate Governance

Shareholder ^(Note 1)	Shareholding		Spouse or minor children's shareholding		Top 10 shareholders being the related parties to each other		Name of and Relationship Between the Top Ten Shareholders Being A Related Party as Defined in Statements of Financial Accounting Standards No. 6	
	Shares (Preferred Stock Included)	%	Shares	%	Shares	%	Name	Relation
Chu-Pao Investment Co., Ltd. Representative: Si-Yong Lin	102,453,565 273,431	4.18% 0.01%	- 1,414,963	- 0.05%	-	-	Chu-Pao Investment Co., Ltd. Pai-Sheng Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Kun-Che Investment Co., Ltd. Representative: Y. C. Huang	94,350,012 234,152	3.84% 0%	-	-	-	-	-	-
Jen-Pang Construction Co., Ltd. Representative: Lin Chang Su-O	90,897,682 73,197,460	3.70% 2.98%	-	-	-	-	-	-
Chi-Shun Investment Co., Ltd. Representative: Jyh-Dong Chen	89,135,105 301,889	3.63% 0.01%	-	-	-	-	-	-

9. Ownership of Investee Companies

December 31, 2013 Unit: Shares ; %

Investee Companies ^{Note}	Invested by the Bank (A)		Investments from Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank (B)		Total Investments (C=A+B)	
	Shares	%	Shares	%	Shares	%
Union Finance Int'l (HK)Ltd.	30,000,000	99.99%	2	0.000007%	30,000,002	100.00%
Union Information Technology Corp.	999,923	99.99%	0	0.00%	999,923	99.99%
Union Finance and Leasing Int'l Corp.	83,000,000	100.00%	0	0.00%	83,000,000	100.00%
Union Securities Investment Trust Corp.	10,500,000	35.00%	2,595,656	8.65%	13,095,656	43.65%
Union Insurance Broker Company	500,000	100.00%	0	0.00%	500,000	100.00%

Corporate Governance

Investee Companies ^{Note}	Invested by the Bank (A)		Investments from Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank (B)		Total Investments (C=A+B)	
	Shares	%	Shares	%	Shares	%
Union Real-Estate Management Corp.	2,000,000	40.00%	1,450,000	29.00%	3,450,000	69.00%
Taiwan Asset Management Corp.	7,500,000	0.57%	0	0.00%	7,500,000	0.57%
Li Yu Venture Corporation	854,895	4.76%	0	0.00%	854,895	4.76%
Taiwan Financial Asset Service Corp.	5,000,000	2.94%	0	0.00%	5,000,000	2.94%
Financial Information Service Co., Ltd.	10,774,125	2.39%	0	0.00%	10,774,125	2.39%
Fu Hua Venture Corporation	1,650,000	5.00%	0	0.00%	1,650,000	5.00%
Jiao Da Venture Corporation	133,810	5.00%	0	0.00%	133,810	5.00%
Taiwan Depository & Clearing Corp.	814,851	0.25%	0	0.00%	814,851	0.25%
Taiwan Futures Exchange Co., Ltd.	5,905,525	2.04%	0	0.00%	5,905,525	2.04%
Taipei Forex Inc.	160,000	0.81%	0	0.00%	160,000	0.81%
Huan Hua Securities Finance Co.	2,102,512	0.53%	0	0.00%	2,102,512	0.53%
Lian An Service Corporation	125,000	5.00%	0	0.00%	125,000	5.00%
Taipower Corporation	394,879	0.0012%	0	0.00%	394,879	0.0012%
Sunny Asset Management Co.	386,376	6.44%	0	0.00%	386,376	6.44%
I-Pass Corporation	13,000,000	17.52%	0	0.00%	13,000,000	17.52%
Taiwan Mobile Payment Corporation	600,000	1%	0	0.00%	600,000	1%

Note: Investments made in accordance with Article 74 of the Banking Act.

Fund Raising Status

1. Capital and Shares

(1) Sources of Capital

Date	Issued Price	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (\$)	Shares	Amount (\$)	Source of Capital	Other
Dec. 1991	10	1,200,000,000	12,000,000,000	1,200,000,000	12,000,000,000	The promoters of a company subscribed shares for 9,600,000,000 Publicly soliciting subscription to shares for 2,400,000,000	—
Jul 1995	10	1,230,000,000	12,300,000,000	1,230,000,000	12,300,000,000	Capital Increase Via Return Earning	
Jul 1997	10	1,281,660,000	12,816,600,000	1,281,660,000	12,816,000,000	Capital Increase Via Return Earning	
Jul 1998	10	1,361,516,990	13,615,169,900	1,361,516,990	13,615,169,900	Capital Increase Via Return Earning	
Jul 1999	10	1,418,700,704	14,187,007,040	1,418,700,704	14,187,007,040	Capital Increase Via Return Earning	
Jul 2000	10	1,488,926,389	14,889,263,890	1,488,926,389	14,889,263,890	Capital Increase Via Return Earning	
Mar 2005	10	2,488,926,389	24,889,263,890	1,788,926,389	17,889,263,890	Cash Capital Increase	
Jun 2005	10	2,488,926,389	24,889,263,890	1,825,394,074	18,253,940,740	C.B. Conversion	
Dec. 2006	10	2,488,926,389	24,889,263,890	1,827,797,807	18,277,978,070	C.B. Conversion	
Mar 2007	10	2,488,926,389	24,889,263,890	1,828,066,183	18,280,661,830	C.B. Conversion	
Sep 2007	10	3,000,000,000	30,000,000,000	2,228,066,183	22,280,661,830	Preferred Stocks of Private Placement	
Sep 2007	10	3,000,000,000	30,000,000,000	2,318,824,429	23,188,244,290	C.B. Conversion	
May 2010	10	3,000,000,000	30,000,000,000	1,753,661,989	17,536,619,890	Capital reduction offset loss	
Sep 2010	10	3,000,000,000	30,000,000,000	1,948,499,589	19,484,995,890	Capital Increase Via Amalgamation	
Sep 2012	10	3,000,000,000	30,000,000,000	2,026,439,572	20,264,395,720	Capital Increase Via Return Earning	
Aug 2013	10	3,000,000,000	30,000,000,000	2,216,525,121	22,165,251,210	Capital Increase Via Return Earning & Bonus Share	
Aug 2014	10	3,000,000,000	30,000,000,000	2,450,930,628	24,509,306,280	Capital Increase Via Return Earning & Bonus Share	

Type of Shares	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	2,450,930,628	549,069,372	3,000,000,000	Listed shares

Fund Raising Status

(2) Shareholder Composition

April 28, 2015

Shareholder Composition Amount	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	0	0	85	29,220	104	29,409
No. of Shares Held	0	0	1,914,048,159	460,272,163	76,610,306	2,450,930,628
% of Shareholding	0.00%	0.00%	78.09%	18.78%	3.13%	100%

(3) Distribution of Shareholding (Preferred Stock Included)

Par value per share NT\$10; April 28, 2015

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	13,164	3,602,853	0.15%
1,000 ~ 5,000	7,854	18,621,482	0.76%
5,001 ~ 10,000	2,508	17,848,306	0.73%
10,001 ~ 15,000	3,061	36,987,377	1.51%
15,001 ~ 20,000	501	8,910,168	0.36%
20,001 ~ 30,000	635	15,470,844	0.63%
30,001 ~ 50,000	487	19,197,144	0.78%
50,001 ~ 100,000	506	35,335,713	1.44%
100,001 ~ 200,000	337	45,782,665	1.87%
200,001 ~ 400,000	163	45,917,198	1.87%
400,001 ~ 600,000	52	25,221,774	1.03%
600,001 ~ 800,000	29	19,998,259	0.82%
800,001 ~ 1,000,000	23	20,007,803	0.82%
Over 1,000,001	89	2,138,029,042	87.23%
Total	29,409	2,450,930,628	100.00%

(4) Major Shareholders

April 28, 2015

Major Shareholders	Shares	No. of shares Held	% of shareholding
Tsong-Li Investment Co., Ltd.		196,922,448	8.03%
Pai-Sheng Investment Co., Ltd.		125,454,092	5.11%
Tien-Sheng Investment Co., Ltd.		122,168,179	4.98%
Chen-Chern Investment Co., Ltd.		117,952,491	4.81%
Chien-Yuan Investment Co., Ltd.		113,733,325	4.64%
Wei-Chih Investment Co., Ltd.		105,273,459	4.29%
Chu-Pao Investment Co., Ltd.		102,453,565	4.18%
Kun-Che Investment Co., Ltd.		94,350,012	3.84%
Jen-Pang Construction Co., Ltd.		90,897,682	3.70%
Chi-Shun Investment Co., Ltd.		89,135,105	3.63%
Pao-Shing Investment Co., Ltd.		85,815,817	3.50%
Union Enterprise Construction Co., Ltd.		85,755,684	3.49%

Fund Raising Status

Hung-Hsiang Investment Co., Ltd.	84,923,405	3.46%
Hong-Gow Construction Co., Ltd.	79,425,055	3.24%
Bai-Ing Investment Co., Ltd.	78,244,175	3.19%
Chen-Sheng Investment Co., Ltd.	73,625,984	3.00%
Lin, Chang Su-O	73,197,460	2.98%
Lin Rong San Foundation of Culture and Social Welfare	62,243,205	2.53%
Hong-Pern Construction Co., Ltd.	55,878,176	2.27%
Hong-Pang Construction Co., Ltd.	47,286,175	1.92%
Union Recreation Enterprise Co., Ltd.	41,484,570	1.69%
Yu-Pang Co., Ltd.	35,823,584	1.46%

Note: The list above shows shareholders with over 1% shareholding.

(5) Market Price, Net Worth, Earning & Dividend per Share and Other Relative Information for the Past Two Years

Item		Year			
		2013	2014	Mar 31, 2015	
Market price per share	Highest	11.95	11.45	10.70	
	Lowest	10.30	10.00	10.25	
	Average	11.06	10.68	10.48	
Net Worth per share	Before Distribution	12.82	13.07	13.42 ^{Note5}	
	After Distribution	11.60	Note4	-	
Earning per share	Weighted Average Shares	2,427,976	2,488,322	2,450,930	
	Earning Per Share(NT\$)	1.18	1.26	0.30 ^{Note5}	
Dividend per share	Cash Dividends	-	0.26 ^{Note4}	-	
	Stock Dividends	Dividends from retained earning	1.03	0.60 ^{Note4}	-
		Dividends from capital reserve	-	-	-
	Accumulated Dividends	-	-	-	
Return on investments	Price/Earning Ratio ^{Note1}	9.37	8.48	8.73	
	Price/Dividend Ratio ^{Note2}	-	41.08	-	
	Cash dividends yield rate ^{Note3}	-	2.43%	-	

Notes:

1. P/E ratio= Average closing share price for the current fiscal year/ earnings per share. P/E ratio in the first quarter of 2015 is annualized
2. P/D ratio= Average closing share price for the current fiscal year/ cash dividends per share.
3. Cash dividend yield to maturity= Cash dividends per share/ average closing share price for the current fiscal year.
4. The distribution of 2014 earnings will be confirmed when it is passed by a resolution at the 2015 Shareholders' meeting.
5. Net worth per share and earnings per share, expect for financials of 2014, have been audited by independent auditors.

(6) Dividend Policy and Implementation

A. Dividend policy set out in the Bank's Articles of Incorporation:

Fund Raising Status

In consideration of the Bank's funding requirements and long-term financial planning, in principle, the Bank may distribute stock dividends if, after the distribution of the dividends, the ratio of the Bank's core capital as a percentage of risk-based assets is less than the statutorily required ratio plus one percent point. However, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid-in capital unless and until the accumulated legal reserve equals the Bank's paid-in capital.

The Bank's Articles of Incorporation provided that earnings, if any, shall first be used to make tax payments and offset against prior year losses and 30% of the remaining, if any, shall be set aside as a legal reserve. The Bank may, according to regulatory requirements and business needs, set aside or reverse a special reserve and distribute the remaining balance plus unappropriated earnings from the previous year in the form of preferred stock dividends and then common stock dividends. The remaining balance, if any, may be distributed in the following manner after a certain percentage is retained:

- a. At least 10% in employee bonus (excluding accumulated unappropriated earnings from prior years).
 - b. 0.5% for remuneration to directors and supervisors (excluding accumulated unappropriated earnings from prior years).
 - c. Bonuses to shareholders shall be proposed by the Board of Directors for a resolution in a general shareholders' meeting.
- B. Proposal for dividend distribution for the current year:
The Board of Directors resolved in the meeting held on March 18, 2015 to approve the earnings distribution proposal for 2014 as follows: cash dividends on common shares totalling \$637,241,963 and stock dividends on common shares \$1,470,558,377 that is, a cash dividend of \$0.26 per share and a stock dividend of \$0.6 per share. The actual earnings per share distributed described above may be adjusted by the Board of Directors based on the number of outstanding shares as recorded in the common shareholders' register on the record date.

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

Item	Year	Year 2014 (Forecast)
Beginning Paid-In Capital		24,509,306,000
Stock and Cash Dividend in this Year	Cash Dividend per share	0.26 dollars /per share
	Capitalization of Retained Earnings Stock Dividend per share	0.06share
	Capitalization of Capital Reserves Stock Dividend per share	None
Operation Result Changes	Operating Profit	(Note)
	Ratio of Increase (Decrease) in Operating Profit Compared to the same period last year	
	Net Profit after Tax	

Fund Raising Status

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

Note: The Bank has not published the financial forecasts for the 2014 fiscal year. According to Tai-Tsai-Zheng Tze (1) Letter No. 00371 issued by the Ministry of Finance on February 1, 2010, companies that have not published their financial forecasts are not required to disclose this information.

(8) Employees' Bonus and Directors' & Supervisors' Remuneration:

- A. The percentages or ranges with respect to employee bonuses and director/supervisors' remuneration, as set forth in the Bank's Articles of Incorporation: Refer to the Bank's Dividend Policy.
- B. If the estimated bonus to employees and remuneration to directors and supervisors, differ from the actual amounts subsequently resolved by the stockholders meeting the differences are to be recorded the profit(loss) of the year as result of a change in accounting estimate.
- C. The proposals to distribute employee bonuses as approved by the Board of Directors are as follows:
 - a. Employee bonuses, bonus shares, and remuneration to directors and supervisors: Remuneration to directors and supervisors amounts to NT\$ 3,475,492, while employee bonuses total NT\$69,509,836 for fiscal year 2014, among which remuneration to directors and supervisors is to be distributed in cash while bonuses to employees are to be distributed in bonus shares.
 - b. The amount of employee share bonus and the amount of employee share bonus as a percentage of the total amount of after-tax net income and employee bonuses: employee bonuses to be distributed are 6,619,984 shares (estimate only), which constitutes 4.308% of increase in capital by capitalization of earnings.
 - c. Computed earnings per share after taking into account employee bonuses and remuneration to directors and supervisors: Such earnings per share for fiscal year 2014 is NT\$ 1.26.
- D. If there is any discrepancy between the actual distribution of employee bonuses and director/supervisors' remuneration for the previous fiscal year, and the recognized employee bonuses and director/supervisors' remuneration: None.

Fund Raising Status

(9) Share Repurchases by the bank: None

2. Issuance of Financial Debentures

Type of Financial Debentures	1st Subordinated Financial Debentures issued in 2009	1st Subordinated Financial Debentures issued in 2011	1st Subordinated Financial Debentures issued in 2012	1st Subordinated Financial Debentures issued in 2013
Date & No. Approved by Central Competent Authority	Jin-Kuan-Yin-Kuo-Zi-No. 09800384990 Sep. 4, 2009	Jin-Kuan-Yin-Kuo-Zi-No. 10000158270 May 12, 2011	Jin-Kuan-Yin-Kuo-Zi-No. 10000387590 Nov. 8, 2011	Jin-Kuan-Yin-Kuo-Zi-No. 10200321780 Nov.20, 2013
Issuing Date	Dec. 30, 2009	Jun. 15, 2011	Mar. 1, 2012	Dec 19, 2013
Face Value	10,000,000	1,000,000	1,000,000	1,000,000
Issuance/ Trade Place	Domestic	Domestic	Domestic	Domestic
Currency	NTD	NTD	NTD	NTD
Issuance Price	Issued at par	Issued at par	Issued at par	Issued at par
Issuance Amount	0.9 billion	2 billion	1.5 billion	3 billion
Interest Rate	2.95%, fixed rate	2.78%, fixed rate	2.32%, fixed rate	2.10%, fixed rate
Term	Maturity Date: Jun. 30, 2016	Maturity Date: Jun. 15, 2018	Maturity Date: Mar. 1, 2019	Maturity Date: Dec 19, 2020
Order of Redemption	Subordinate	Subordinate	Subordinate	Subordinate
Guarantor	Nil	Nil	Nil	Nil
Trustee	Nil	Nil	Nil	Nil
Underwriter	Nil	Nil	Nil	Nil
Auditor	S.S. Lai	S.S. Lai	S.S. Lai	S.S. Lai
CPA	Deloitte & Touche (Terence Huang/ Jih-Yen Chang)	Deloitte & Touche (Terence Huang/ Jih-Yen Chang)	Deloitte & Touche (Terence Huang/ Jih-Yen Chang)	Deloitte & Touche (Terence Huang/ Vincent Cheng)
Certifying Financial Institution	“Book-Entry”	“Book-Entry”	“Book-Entry”	“Book-Entry”
Method of Redemption	Repaid in full upon maturity	Repaid in full upon maturity	Repaid in full upon maturity	Repaid in full upon maturity
Unredeemed Balance	0.9 billion	2 billion	1.5 billion	3 billion
Paid-in Capital For the Previous Fiscal Year	23.19 billion	19.48 billion	19.48billion	20.26billion
After-tax Net Worth for the Previous Fiscal Year	17.08 billion	20.09 billion	21.97 billion	24.07 billion
Performance	Normal	Normal	Normal	Normal
Redemption or Early Redemption	Nil	Nil	Nil	Nil
Conversion & Exchange Conditions	Nil	Nil	Nil	Nil
Restrictions terms	Nil	Nil	Nil	Nil
Fund Utilization Plan	Improve financial structure to raise capital adequacy	Improve financial structure to raise capital adequacy	Improve financial structure to raise capital adequacy	Improve financial structure to raise capital adequacy

Fund Raising Status

Type of Financial Debentures	1st Subordinated Financial Debentures issued in 2009	1st Subordinated Financial Debentures issued in 2011	1st Subordinated Financial Debentures issued in 2012	1st Subordinated Financial Debentures issued in 2013
	ratio	ratio	ratio	ratio
Balance of issued debentures before adding the declared issue amount as a percentage of after-tax net worth for the previous fiscal year (%)	3.88%	14.43%	20.03%	30.74%
Whether it is accounted for as qualified core capital and type	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Name of rating agency, date and result of rating	Taiwan Ratings Corp. twA- Dec. 27, 2012	Taiwan Ratings Corp. twA- Dec. 27, 2012	Taiwan Ratings Corp. twA- Dec. 27, 2012	Taiwan Ratings Corp. twBBB+ Dec. 11, 2013

3. Issuance of Preferred Stock : None

4. The status of Overseas Depository Receipts and Employee Stock Option:

None

5. Acquisitions or Disposition of Other Financial Institutions

- (1) Where the bank has acquired another financial institution through merger or acquisition in the most recent fiscal year, the annual report shall disclose the CPA's opinion on the reasonableness of the share swap ratio: None.
- (2) Mergers or acquisitions of other financial institutions in the past five years:
 - A. The Bank's shareholders resolved in the general shareholders' meeting held on April 23, 2010 to issue new shares to acquire Union Bills Finance Corporation. Procedures relating to the merger was completed on August 16, 2010.
 - B. Where the Bank has issued new shares for the acquisition of the shares of another financial institution, the annual report shall include an evaluation opinion prepared by the managing underwriter.
- (3) Where the Board of Directors has, during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, adopted a resolution approving issuance of new shares due to merger or acquisition of shares of another financial institution, the annual report shall disclose the state of implementation and the basic information of the institution merged or acquired: None.

6. Fund Utilization Plan and Execution Status

1. Fund Utilization Plan

- A. Description of the plan: Please see pages 78-79 for details of previous public issues or private placement of securities and bank debentures.



Fund Raising Status

- B. Uncompleted previous public issues or private placement of securities, or those completed in the most recent three years but have not yet fully yielded the planned benefits: None.
2. Execution Status
- Status of implementation: Please see pages 103-126 for the Bank's financial information and changes in the capital adequacy ratio for years 2010 through 2014.

Operational Highlights

1. Business Description

(1) Main Businesses

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

B. Operational Highlight

a. Deposits

Amount: NT\$ Million

Type	December 31, 2014		December 31, 2013		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Current Deposit	171,329	42.8%	157,930	42.7%	13,399	8.5%
Time Deposit	229,164	57.2%	211,994	57.3%	17,170	8.1%
Total	400,493	100%	369,924	100%	30,569	8.3%

b. Loans

Amount: NT\$ Million

Type	December 31, 2014		December 31, 2013		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Consumer Banking	137,476	52.88%	129,005	55.61%	8,471	6.57%
Corporate Banking	122,491	47.12%	102,959	44.39%	19,532	18.97%
Total	259,967	100%	231,964	100%	28,003	12.07%

c. Foreign Exchange

Amount: US\$ Million

Type	December 31, 2014		December 31, 2013		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (decrease)	Growth Rate%
Exports	108	2.5%	95	2.4%	13	13.7%
Imports	219	5%	208	5.2%	11	5.3%
Foreign Remittances	4,056	92.5%	3,708	92.4%	348	9.4%
Total	4,383	100%	4,011	100%	372	9.3%

Operational Highlights

d. Trust & Wealth Management

Amount: NT\$ Million

Type		December 31, 2014	December 31, 2013	Comparison	
		Amount	Amount	Increase (decrease)	Growth Rate%
Trust	Non-discretionary Money Trust Invested in Securities	36,493	35,652	841	2.36%
	Fund Custody Business	8,046	9,672	(1,626)	-16.81%
	New Trusts	13,999	13,727	272	1.98%
	Subtotal	58,538	59,051	(513)	-0.87%
Ancillary Service	Attestation For Issuance of Securities	21,788	17,433	4,355	24.98%
Total		80,326	76,484	3,842	5.02%

e. Credit Card Business

Unit: NT\$ Million ; Card

Item	December 31, 2014	December 31, 2013	Comparison	
	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate%
Card in New Issue	167,197	193,140	(25,943)	(13.43)%
Cards in Circulation	1,770,774	1,827,104	(56,330)	(3.08)%
Valid cards	789,016	787,833	1,183	0.15%
Ratio of valid cards	44.56%	43.12%	1.44%	3.34%
Credit Amount	55,924	47,941	7,983	16.65%
Cash Advance Amount	1,957	1,712	245	14.31%
Accounts Receivables	12,866	12,194	672	5.51%
Revolving Credit Balance	5,118	5,453	(335)	(6.14)%
Sales Amount	47,710	42,912	4,798	11.18%

f. Revenue and Percentage by Business

Item	% of Total Revenue 2014	% of Total Revenue 2013	Changes (%)
Corporate Banking	12.99%	13.53%	-0.54%
Consumer Banking	25.60%	27.05%	-1.46%
Trust & Wealth Management	7.80%	6.18%	1.62%
Investment Banking	15.80%	15.91%	-0.11%
Leasing Business	17.68	19.10%	-1.42%
Other	20.14%	18.23%	1.91%
Total	100%	100%	0.00%

(2) Business Plan for 2015

A. Deposit Business

Continue enhancing development of demand deposits:

a. Offer chip ATM card domestic/foreign debit and multinational (in the

Operational Highlights

- territories of Japan) withdrawal operations to enhance the relations between customers and the Bank.
 - b. Offer mobile ATM cards and mobile banking accounts to provide depositors with omnibus payment tools.
 - c. Plan various deposit development projects for SMEs to secure a higher number of demand deposit accounts and new customers.
 - d. Continue developing solicitation of the Bank's reciprocal trading counterparts for deposits.
 - e. Continue developing and increasing transactions of deposits with credit card authorization customers.
- B. Loan Business
- a. Corporate Banking
 - In line with the competent authority's policy, underwrite real estate loan with caution and make every endeavor to develop SME loans to disperse risk.
 - Under the circumstance and risk and income are attended to simultaneously, give priority to make loans of self-liquidating nature and loans to manufacturing plants based in Taiwan, and take advantage of applying for credit guarantee fund and seeking for good quality collateral to enhance the loan security.
 - b. Consumer Banking

Housing loans are primarily extended for purchasing of owner-occupied homes and to borrowers who are capable of making repayments. Affiliate with leading car dealers by offering car loan packages to strengthen the used-car loan market channels. Design the various types of consumer loan packages for different target groups based on market demands.
 - c. Bills Finance

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

Flexibly adjust value at risk according to market trends and at the same time develop new RP clients that constitute a more stable source and less costly funds.
 - d. Strengthen loan reviews and enhance notification of abnormal cases to control the occurrence of NPL.
- C. Foreign Exchange Business
- a. Continue to develop the sources of foreign exchange businesses. Expand imports, exports and foreign exchange businesses to increase the Bank's market share in the foreign exchange market.
 - b. Continue to expand international financial investment business to make the most effective use of funds and improve revenue.
 - c. Establish Hong Kong Branch to expand into overseas market and grab business opportunities overseas.
- D. Trust and Wealth Management Business



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- a. Continue to strengthen system functions in line with business development in order to enhance the quality of financial consulting services, operational efficiency and risk management.
 - b. Aggressively seek to take up the old and new fund custody business, and strengthen the control functions of personal trust and custody operation system.
 - c. Introduce the program of variable-amount subscription to a fund through a regular saving plan to promote stable growth in customers' asset portfolios.
 - d. Enhance the launching of marketing and promotional campaigns. Provide differentiated services to different target groups. Introduce diverse products (such as: foreign bonds, ETF, structured notes and foreign currency insurance policies etc) to increase the diversity of the asset portfolio of wealth management clients and increase the size of assets managed by the Bank.
 - e. Continue to recruit new wealth management staff and provide training to bank employees to serve in the capacity as wealth management advisors. The long-term goal is to expand the size of the wealth management team to enhance the development of effective clients and hence the Bank's share of the wealth management market.
- E. Credit Card
- a. Channels: Encourage branch employees to promote credit cards to increase the opportunities for cross selling; enhance the coordination with the issuance of cards by primary co-brand groups and in-store marketing events and develop new clientele in new territories through their unfolds the shop plan; enhance promotion of purchase online and via mobile phone, simplify the application procedure and enhance follow-up on card purchase after the branches' promotion of credit cards, in order to be in line with Bank 3.0 policy.
 - b. Products: Release the brand new packaged leading co-brand cards; maintain the interest and right for premium cards and competitiveness of promotional activities to solicit and train fine-quality clientele; control the emerging mobile payment market and issue such mobile credit card as OTA and HCE successively to enhance the Bank's competitiveness in the market and solicit new clientele.
 - c. Campaign: Continue the "2% cash reward on even-number days" to cultivate the habit of using Union Bank credit cards for purchase and upgrade the market shares of debit amount and wallet; meanwhile, due to the increasingly prevailing payment e-ticketing micro payment, the merchants which accept micro payment are increasing day by day. The new market made by such prevailing payment tool makes the promotion of EasyCard and iPass debit become the highlight of promotional activity; therefore, the Bank enhances customers' cycle management and works hard to promote various promotional activities



Operational Highlights

- to upgrade the effective utilization ratio of the cards.
 - d. Credit loan: Plan various micro loan projects and provide customers with diversified choices for products.
 - e. Digital finance: Offer the online application mechanism under which the application for micro loan may be filed via mobile device or network to provide customers with more convenient and repaid financial services.
 - f. Credit card acquiring business
 - Integrate the branches' business, develop medium-large-scale and chain acquiring merchants, and continue developing other merchants' acquiring business to increase the Bank's debit amount and operating income.
 - Promote collecting business of China Union Pay Card, installment acquiring business and NCCC installment platform acquiring business to meet the increasing market demand and maximize operating revenue.
- F. Ensure effective management of funds available to the Bank. Effectively utilize funds in line with the various business development initiatives to increase the Bank's returns. We also maintain an appropriate level of liquid funds to ensure that the Bank has a sound liquidity level. For TMU business, besides continuing to service existing clients and offering them with real-time financial market information and products, we also aims at developing new clientele to increase the Bank's business turnovers in deposits, loans and foreign exchange business.

(3) Market Analysis

A. Areas of Business Operation

As of the end of March 2015, the Bank has 90 domestic branches of which 47 branches in Greater Taipei area, 18 branches in Taoyuan and Hsin-Chu area, 10 branches in Taichung and Changhua area, 7 branches in Chiayi and Tainan area and 8 branches in Kaohsiung and Pingtung area. Additionally, there is an Offshore Banking Branch, and each one Representative Office in Vietnam and Hong Kong respectively.

B. Analysis of Supply/Demand and Growth in Future Market

We expect that the global economic growth rate in 2015 will be upgraded more than that in 2014. The domestic economy will remain growing. Meanwhile, the adjustment of loan structure resulting in increase in spread income will drive enterprises' funding need and market's willingness in investment effectively, and support the growth of loan business and expansion of wealth management market to generate profit. Taiwan's banking industry is expected to have optimistic prospects and upgrades in 2015.

Operational Highlights

In terms of business developments, we expect the corporate banking businesses to be the priority to be developed by the banking industry, especially loans to offshore enterprises. For SME loans, we will continue to offer facility and lending bank's incentive aids to the SMEs which generate higher spread, subject to the relevant policies. Given the higher spread of SMEs, the banking industry will work hard to undertake SME loans to secure higher spread and operating revenue. For consumer banking business, the housing loan growth became sluggish due to the government's several initiatives to suppress the real estate industry and to limit the house loan facility. Notwithstanding, the consumer non-secured loan business is expected to upgrade the Bank's turnover; therefore, the consumer banking business appears to grow mildly. The wealth management business development is expected to expand significantly due to the global economic recovery and promotion of the RMB business in 2015.

C. Competitive Niches and Advantages/Disadvantages Relating to Development Prospects and Responsive Measures

a. Advantages

- I. We expect that the global economic growth rate in 2015 will be upgraded more than that in 2014 and thereby drive enterprises' funding need and market's willingness in investment effectively, and support the growth of loan business and expansion of wealth management market to generate profit.
- II. Given the interest escalation, the competent authority's enhancement of control measures to mitigate a price war in the banking industry and increase in undertaken volume of offshore business with higher spread resulting from the lifting of laws and regulations in 2015, the low-spread situation in the banking industry tends to be reversed positively and the banking industry is expected to continue self-regulating and controlling the loan interest rate, thus helpful for upgrading of its profitability.
- III. The competent authority continues to open RMB operations and support development of the various derivative financial instruments, and accelerate permission of OBU to develop financial services for offshore customers. The Bank's risk-free revenue from service charges increased accordingly.

b. Disadvantages

- I. The sluggish estate market and interest escalation in 2015 are likely to increase the risk over house loans. Besides, the real estate price is at its peak now and, therefore, the banking industry's risk over tremendous house loans is increasing. Due to the uncertainty in international economic situation, the banking industry shall be careful to prevent risk over investments and loans.
- II. Domestic banks are used to lacking the ability to innovating financial instruments. The salary level of Chinese banks' high-rank human resources has risen above those of the domestic banks and, therefore, the domestic banks' high-ranking human resources flow to China. This reflects the importance of valuing

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talent cultivation and resolution of outflow of talents to the domestic banks.

III. The increasing exposure of the banking business in Taiwan to Mainland China is likely to squeeze the space and profitability of business expanded by the banking business in the market of Mainland China.

c、 Responsive Measures

I. In response to the implementation of New Basel Capital Accord and control of bank risks, the Bank has built a control system that could reasonably evaluate credit risk, interest rates risk, market risk and operation risk to increase the Bank's asset quality.

II. Continue to conduct Small and Medium Enterprise (SME) lending business and expand the market share of higher interest spread products.

Reduce costs for housing and other unsecured personal consumer loans through simplification and standardization of operating procedure.

Designate customers with good credit to lower non-performing loans.

Strengthen the cross selling strategy with related enterprises.

Maintain the balance between quality and quantity, and sustain a stable growth of profit.

III. The house loan volume growth is sluggish in Taiwan and thereby suppresses the growth of entire consumer loan business. Notably, to deal with the expanding loan clientele and rapid increase in business volume in the territories of China, the banking industry will also enhance the risk control to reduce risk.

IV. Value cultivation of talents to meet the need for diversification of business, and design novel financial instruments and provide customers with various financial services to become a well-rounded fine-quality financial institution.

(4) Research of Financial Products and Status of Business Development:

A. New financial instruments and the size of new business department(s) introduced during the past two years and the profit/loss status

a. Corporate Banking business continues to promote financial products such as good-quality stock financing loans, account receivable purchase and subsequent advance payment loans, convenient loans to SMEs, easy discounted notes, corporate banking foreclosure real estate loans to offer corporate customers multiple loan choices.

b. Proactively promote issuance of bills with 1-year plus maturity to offer customers more diverse choices for short and medium-term capital planning. As at December 31, 2014, the sales turnover of bills issued by the Bank amounted to NT\$ 778 billion, a growth of 31% comparing to 2013.

c. Launch a number of NT dollar/Foreign Currency deposit products, such as "Excellent Interest Demand Savings Deposit", "Excellent Interest Term Deposit", "Excellent Interest Term Deposit for US and RMB", and launch the "Preferential deposit project for civil servants and teachers".

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- d. Consumer banking business also launched a “Preferential Micro-credit loan program for civil servants and teachers” to grab the vast civil servant and teacher market. However, housing mortgage business has not launched any new financial product due to the government’s “battling real estate speculation policy”.
- e. Wealth Management Business
During 2014, the Bank has launched several stock funds and bond funds with stable returns in line with the global investment market sentiment and the bank actively assisted customers to adjust their asset allocation. As at December 31, 2014, the Bank had a total of 86,865 wealth management clients and total assets under management aggregated NT\$185.3 billion, representing an increase of 16% from that of 2013.
- f. In response to market trends, launch the credit card A/R business, automatic teller machine business, cash advances and balance inquiring business of China Union Pay card to increase relevant fee revenue.
- g. Fortune Passbook business
For the purpose of managing the children’s financial planning market, the Bank launched the “Fortune Passbook” for children under fifteen years of age. It integrates five major financial management services including NT dollar depositing, foreign-currency depositing, securities, funds and insurance claims trust and use “Savings Bring Simple Happiness” as the product’s major appeal and it offers preferential items such as customer preferential interest rates for NT dollar savings accounts (applicable to the announced interest rates for the Bank’s salary transfer customers), and special rates for securities and fund subscription orders placed through the Bank. As at December 31, 2014, NT dollar deposits of the Fortune Passbook holders amounted to NT\$5,571,360,000 representing a 36.44% growth rate comparing to NT\$4,083,360,000 as at December 31, 2013. It is obvious that the children’s wealth management market is on the growing trend. The Bank’s Fortune Passbook differentiates itself from those offered by other banks. It offers special discounts for culture activities and parent-children financial planning educational programs. The Bank worked with the fine-quality child art & cultural merchants horizontally, including Sesame Street English, Cloud Gate Dance Theatre Foundation, Ju Percussion Music School, Language Canada Taipei, Paper Windmill Theatre, If Kids Theatre, Song Song Song Children’s & Puppet Theatre, Just Apple Theatre, Hsin Yi Parent-Child Game Bookstore and Education, Parenting, Family Style. Children may also attend the financial wealth management educational & promotional activities for “Junior Banker Wealth Management Camp”. In 2014, the Bank also organized a series of events to reward our customers including Gifts for Referrals, Anniversary Gifts, Visiting Gifts and Birthday Gifts.
- h. Visa ATM card operations
The Bank has issued a total of 815,000 outstanding Visa ATM cards (less about 350,000 cards that expired) until the end of 2014, i.e., an increase by 8.4% compared with 752,000 cards in last year (2013). For marketing and promotion to the outsiders, the Bank engaged in the promotional activities tied in with segment marketing this year, by

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release a total of 21 projects including free parking, refueling discount, e-shopping, movie, birthday person, the first brush, department store and supermarket, Joint Pass and cosmetic & drug. In terms of the effect achieved by the promotion, the entire debit amount and number of debit cards grew by 18% and 20% in 2014 from those in 2013.

- i. Promotion of Automated Service and Internet Banking
 - I. The bank has installed ATMs and self-service banks along the Kaohsiung MRT network and Carrefour stores. Starting from January 2012, it has formed a strategic alliance with and installed ATMs in Hi-Life Convenience Store and O.K. Convenience Store to offer customers more convenient services.
 - II. The Bank introduced a mobile bank “Union Lohas APP” service through the e-Bank service in March 2012 featuring six major services including “Special Offers News, Special Offers Venue, Account Services, Financial Management News, Everyday Living News and Customer Service”. The service is free for downloading by anyone. Besides offering banking services including account inquiry, NT dollar transfers, foreign exchange purchase/sale, and bill payment, the built-in “cell phone coupons” function allows users to show discount coupons on the cell phone at over 5,000 participating merchants including leading convenience chain stores including FamilyMart, Hi-Life and OK-Mart, Taiwan Pelican Express Co., Ltd. and Pizza Hut to receive instant discounts. The service offers daily living convenience through the integrated e-banking facility.
 - III. The Bank launches the “Internet Banking Canteen” service for personal banking customers. This service allows customers to download discount food coupons and discount coupons for selected products at Yesgogogo Shopping website. With respect to Lohas APP, the Bank also launched the “Union Bank Lohas APP – Invite Birthday Persons to Have Delectious Sweet Potatoes”, and provided “35-dollar coupon of Family Mart upon three transfer exchanges by the given birthday persons” and preferential foreign exchange rate applicable to 7 special currency e-banking channels including “USD, Euro, AUD, NZD, RMB, JPY and HKD”, in hope of upgrading downloading volume and exchange frequency of customers with substantial rebate, and maintaining fair relations with customers and upgrading usage rates through the many offers for Internet shopping, purchases and prizes. On the business dimension, new applicants for the Bank’s e-banking services grew by 11% in 2014 comparing to 2013. The average number of logins, transactions and account inquiries for 2014 grew by 6%, 14% and 38% comparing to 2013.
 - j. New Business Departments Established in the Most Recent Two Years: None.
- B. R&D Expenditure and achievement for the Last Two Years and a brief description of its Future Plan
- a. R&D Expenditure and Results

Unit: NT Thousand Dollars

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Item \ Year	2014	2013
R&D Expenditure	3,890	1,560

- I. The Company continued to enhance the service functions of mobile bank by providing more complete e-financial exchange services and also adding such life-style mobile services as mobile coupons, mobile video and news information, in order to upgrade the availability of e-financial services and preferential treatment information in 2013.
 - II. In 2014, the Bank continued to enhance the mobile banking service functions by strengthening the experience in applying e-financial exchange services to deal with the prevailing mobile application and also starting to plan various online application services. Meanwhile, the Bank started to provide the on-line customer service via email, in order to provide customers with more convenient mobile services via diversified service channels.
 - III. In 2014, the Bank's e-financial services continue to aim at enhancing foreign exchange services and develop toward satisfaction of customers' needs to develop the Bank's e-financial services.
 - IV. In February 2014, the Company released the mobile phone credit card, which is the first Micro SD NFC mobile phone credit card officially certified by VISA domestically and also the first one free from the limit of single purchase by no more than NT\$3,000 in the market. Further, it tied in with the functions of iPass to be applied to specific transportation means and also micro payment at various chain stores. The card won the referral prize by the panel of "Best Mobile Payment" in Asia Pacific Zone of Cards & Electronic Payments International (CEPI) 2014.
 - V. In order to reduce the operating cost and upgrade service quality, the Company has established the e-billing system to upgrade such e-billing services as deposits and trust fund.
- b. Future R&D plan
- I. Build online Loan Management System to streamline the credit granting process and enhance operation efficiency.
 - II. In order to reduce loan credit risk, the Bank will build an internal credit rating system to comply with the new Basel II Credit Risk framework.
 - III. Continue to develop diversified mobile phone credit card products to provide cardholders with more convenient life experience; upon the Bank's enrollment to Taiwan Mobile Payment Corporation as a member, consumers may transmit their credit cards on air via OTA to enjoy safer and more repaid mobile payment services. In December 2014, the Bank received approval from the competent authority to launch the mobile phone credit cards in April 2015 officially. In the future, the Bank will plan to introduce the credit card services for cloud payment to offer customers low-cost, convenient solutions to help the Bank take the leadership in the mobile payment market.

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- IV. In light of the maturity of mobile devices and the network environment, the Bank's R & D projects will be devoted to developing the applications used by mobile devices and design related services applications used in portable and convenient phablets.
- V. Introduced related technology and planned to construct the Bank's new online service website for PCs and mobile devices with the core design concept based on customers' needs.
- VI. To deal with the Call Center which has been used for many years, the Bank has commissioned some supplier to plan the upgrading and expansion programs, in order to continue receiving the OEM's maintenance services, enhance the system virus protection, maintain normal operation of the system and also develop the call center's value more extensively.

(5) Long-term and Short-term Business Development Plan

- A. Short-term Business Development Plan: Please refer to "Chapter (2) 2015 Business Plan".
- B. Long-term Business Development Plan: Please refer to page 2 "4. External Factors and Future Development Strategies of I. Letter to Shareholders"

2. Employee Analysis

- (1) Employee Data for the Last Two Years and Current Year Up to the Printing Date of the Annual Report:

Year		End of 2013	End of 2014	Mar31, 2015
Number of Employees	Permanent	3,249	3,356	3,359
	Temporary	0	0	0
	Other	0	0	0
	Total	3,249	3,356	3,359
Average age		36.50	36.58	36.77
Average year of service		8.31	8.48	8.64
Education	Doctorate	0.03	0.03	0.03
	Master	7.17	7.00	7.00
	University (College)	85.32	86.17	86.04
	Senior High School	7.33	6.70	6.85
	Junior High School & Under	0.15	0.09	0.09
Type of professional certification held by employees		End of 2013	End of 2014	Mar31, 2015
Basic Proficiency Test for International Banking Personnel		291	285	283
Proficiency Test on Foreign Exchange Trading		12	11	11
Proficiency Test for Trust Operations Personnel		2,190	2,216	2,191
Subject Test - Laws and Regulations on Trust Businesses		20	21	21
Qualification exam for "General knowledge of Financial Markets and professional code of Ethics"		2,358	2,512	2,505
Financial Risk Manager (FRM)		3	3	3
Class B Accounts Clerk		7	8	8
Class C Accounts Clerk		111	105	108
Basic Proficiency Test for Bank Lending Personnel		406	403	393
Advanced Proficiency Test for Bank Lending Personnel		32	33	33
Proficiency Test for Bank Collateral Appraisal Personnel		10	10	10
Proficiency Test for Financial Planning Personnel		402	392	388
Structured Product Sales Personnel Qualification Test		186	214	216
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)		24	23	23
For taking "Investment trust & consulting regulations(including self-disciplinary rules)" only		647	667	669

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Year	End of 2013	End of 2014	Mar31, 2015
Life insurance salesperson	2,424	2,547	2,547
Investment-oriented insurance salesperson	1,206	1,221	1,215
Fundamental Test of Investment-oriented insurance salesperson and financial market	193	204	203
Property Insurance Salesperson Registration Certificate	1,022	1,037	1,033
Qualification Test for Life Insurance Salesperson Selling Non-Investment Type of Insurance Product in Foreign Currency	939	962	956
Futures specialist	324	317	316
Bill finance specialist	77	76	77
Labor safety and health specialists (Class B certificate for labor safety and hygiene)	5	4	4
Class A Manager of Labor Safety & Health Affairs	50	51	50
Class B Manager of Labor Safety & Health Affairs	76	81	83
Class C Manager of Labor Safety & Health Affairs	19	22	22
Fire Fighting Administrator	127	132	132
First Aid Specialist	139	146	145
Bond Specialist	28	28	25
Basic Proficiency Test on Internal Controls	1,805	1,790	1,775
Securities specialist	311	309	306
Senior securities specialist	239	234	235
Securities investment trust and consulting professionals	187	182	182
Securities investment Analyst	6	6	5
Specialist of "Margin and Stock Loans by Securities Firms"	38	37	38
Assistant real estate Brokers	8	10	8

Note: Not include 2 employees of offshore units.

(2) Advanced Education and Training of Employees

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

Item	Internal program	External program	Total
Number of employees trained	9,039	1,713	10,752
Total training expense (in NT\$ thousand)	13,366	4,760	18,126

(3) Rules of Employee Behavior and Ethics

The Bank has put in place the "Employment Standards" and "Employee Service Rules" to govern employees' behaviors and dedication for works. The Bank motivates its employees to take the corporate mission above all personal pursuits and perform their duties in accordance with corporate rules to facilitate the development of the various businesses.

(4) Protection for Work Environment and Employee Safety

A. Access Security: The Bank has installed a premise access surveillance system to monitor people entering or leaving the office premise. The

system is linked to the police stations at all times and is subject to regular trial checks. Security guards stationed on site to ensure personnel and premise security.

- B. Office Premises and Equipment: The Bank performs regular or random maintenance check on the various equipment in accordance with the relevant regulations on public safety and fire tests of office premises.
- C. Security Maintenance: The security maintenance regulations enforced by the competent authority and Bankers' Association prescribe that each retail office shall conduct anti-robbery rehearsals each year.
- D. Physical and Mental Health : The Bank has set in place the "Procedures of Safety & Health Work" and "Automatic examination Plan". The Bank also performs tests on work environment and conducts relevant employee safety and first aid training programs in accordance with the rules and regulations.

3. Corporate Responsibility and Ethical Conduct

(1) Proud Sponsor of the Union Cultural Foundation:

In an effort to motivate the continuation of local art, the Bank established the "Union Cultural and Educational Foundation" in 1998. We have a long history of sponsoring the Union Art Competition (including "Union Emerging Artists Award" and "Union Fine Art Impression Award") and art exhibition tours. In 2014, the Bank sponsored the foundation to host the "2014 Union Art Competition" and "2014 Union Exhibition Tours", which aimed at encouraging local artists to uphold their creative spirit and realize their dreams. The Foundation also funded the "Taiwan Art Contribution Award" to showcase the work of prominent old-time artists. Mr. Hong Rui-Lin was the old-time artist recommended by the panel in 2014.

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

(2) Active Involvement in Community Events:

- A. Community development: The Bank has assumed the responsibility to support the care and maintenance of the "Mingyou No. 2 Park" since 1997. The park provides local residents an ideal place for leisure and children a place to play. The park received outstanding rating among other Taipei metropolitan parks since 2000. The Bank received the silver diamond award of the "Annual Award for Perpetual Park Management" in 2005 and the excellence award for five consecutive years from 2006 through 2011.
- B. School Development: Starting from November of 2011, the Bank took the responsibility of preserving the flower bed just in front of Luzhou Elementary School by outsourcing a service provider to take care of the maintenance.



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(3) Promote Art and Culture Activities in association with Social Welfare

A. The Bank has put much effort into the promotion of arts and culture for years. In January 2014, the Bank's 22nd anniversary ceremony “Believe Happiness and Brave to Take Responsibility” integrated the children public welfare groups. “Taiwan Foundation for Rare Disorders-Heavenly Melody Rare Disordered Children Chorus” was invited to perform on the site. In May, the Bank assisted with the organization of the “Cheers for Mums; Union Bank Helps You Build a Better Future” charity fair for Mother’s Day. Total proceeds \$706,110 were donated to the “Union Bank Culture & Art Foundation” to support the Foundation’s work in cultural and art events and cultivation of talents. Further, the Bank organized the “Children Drawing Competition” in April and “Charitable Wealth Management Camp for Children” in July and August.

B. In order to co-promote the local musical, art & cultural events and boost the development of cultural ecology, the Bank has sponsored “Kaohsiung Philharmonic Cultural & Arts Foundation” periodically since 2011. Meanwhile, the Bank will organize the periodic, special, community and campus musical concerts each year. The budget sponsored by the Bank totaled NT\$2,600,000 in 2014.

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

The Bank launched the “Love to Share. Happy Gifts” event to coincide with Mother’s Day events in May, 2014. The Bank also purchased 28,400 carnations (costing \$327,760 in total) for distribution to customers in hope of raising the public’s awareness of the hardship endured by local farmers and the importance of protecting our local agricultural market. In August 2014, the Bank donate NT\$10 million to the exclusive donation account of Kaohsiung City Government to help the emergent relief for 81 Kaohsiung Explosion Accident.

(5) Web Accessibility

The Bank has undertaken the web accessibility campaign to enhance the accessibility of the Bank’s official, personal banking and corporate banking website by users with mental or physical disabilities. The website includes banners and pictures to show text explanation, advertised interest rates and exchange rates through movement of the cursor and disabled users are able to click on the options instead of dragging the cursor to show drop-down menus. Keyboard shortcut keys are also available to ensure full accessibility of the Bank’s websites by people with disabilities, which we consider as an important part of our social responsibilities.

(6) The Bank partnered with Kaohsiung Rapid Transit Corp. to run the “Whispering Filming with Companionship”, “HAPPI Walking Fun”, “KRTC Prestige Lecture Class”, “Winter Sun to Communicate Heartwarming Happiness”, “Let Children Know About the Beauty of Our Land”, “KRTC Fall Art Banquet” and “Winter Charity Activity” to communicate the new happy series activities. Base at the KRTC stops, the Bank communicated warm and love to others through charitable raising of supplies and resources and purchase of charity products, so as to extend the communication between KRTC and the citizens

and fulfill the concept about the city's new happiness.

4. Facilities of Information Technology

- (1) Maintenance and Allocation of Hardware & Software for major IT systems:
 - A. Production Computer Room: One IBM z/BC12 operation server and one IBMz/890 backup- server, two IBM 8870 diskettes driver, IBM 3590 Tape driver , Fujitsu Tape driver, fourteen IBM RS/6000, one IBM i520 and 100 PC servers.
 - B. Backup Computer Room: One IBM z/800 remote backup server, two IBM Shark-800 diskeet drive, IBM 2074 back-end controller, one set of 3590 and 3490 tape drive each, two IBM RS/6000, one IBM AS/400-720 and twelve PC servers.
 - C. Network: The operating system control room uses two CISCO 7206 routers, two CISCO 7507 routers, two CISCO 4507 routers. The backup control rooms uses three ASR1001 routers, three CISCO ASR1001 routers, and two CISCO 3750 routers via the DWDM connecting with the operating system and backup control rooms. Branches use CISCO 2811/2911 routers and connected to the operation system's computer room via the CHT exclusive line (transaction), with connection to the backup control room routers via Asia Pacific Telecom FTTB 2M (non-transaction) as alternate, if necessary.
 - D. The Bank has signed maintenance contracts with the vendors for above hardwares and softwares.
- (2) Future development or procurement plans:
 - A. Update of PC throughout the Bank.
 - B. Development of the control system for country risks.
 - C. Development of the registration system for loaning of book-entry government bonds.
 - D. Upgrading of the report inquiry system.
 - E. Upgrading of recording equipment system of call center.
 - F. Hardware and software upgrading of database storage.
 - G. Web Application Firewall Device.
 - H. Constructing Defend APT(Advanced Persistent Threat) system over the internet
 - I. Computer system information security evaluation and testing
- (3) Emergency Backup and Security Protection Measures
 - A. Construct on-site backup device at Neihu computer room with Minsheng computer room serving as the remote backup support.
 - B. Off-site media backup and storage of sensitive documents, separately at Neihu and Minsheng computer rooms.
 - C. Installation of access control system, surveillance cameras, line control, fire safety equipment and environmental security systems to protect the IT equipment.
 - D. Using intrusion detector, setting internal/external firewalls and anti-spam system, scanning virus, Trojan horse or spy programs, updating virus-code and system patch to ensure internet and data transmission security.
 - E. Enact the "Plan for Union Bank of Taiwan IT Security Contingency" and conduct annual rehearsals of on-site and remote backup and fire safety in

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accordance with the “Plan for Union Bank of Taiwan IT Disaster Contingency”.

5. Labor Relations

- (1) Execution status of employee welfare and retirement policy, labor agreements and protection of employee welfare:
 - A. Establish the Employee Welfare Committee. Deduct 0.5% of employees’ monthly salaries and appropriate 0.1% of operating revenue and use the fund to administer employee welfare affairs such as Mother’s Day Fair and special allowances for marriage, funeral, birth (including spouse) and major accident.
 - B. In accordance with the Social Insurance Policy, the Bank administers Labor Insurance, National Health Insurance and Group Insurance (including term life insurance, group accident insurance, worker’s accident insurance, occupational injury insurance, cancer insurance and hospital and medical insurance for employees and their dependents).
 - C. Offer deposits, loans and unsecured consumer loan for staff at special rates.
 - D. The Employee Welfare Committee disburses bonus to employees on major festivals of the Lunar year.
 - E. Employee Retirement Policy has been set that any employee reaching retirement age or eligible for retirement pursuant to the Bank’s retirement policy is entitled to receive the retirement payout under the old pension system (Labor Standards Act). On the other hand, the Bank makes monthly contributions to individual retirement accounts for employees who apply for new pension system.
 - F. The Bank has set up rules for governing labor-management committee to maintain sound and harmonious labor-management relationship.

- (2) Loss incurred as a result of labor disputes in the past year and current year up to the printing date of annual report, the amount of estimated potential loss and the bank’s responses. Where it is impossible to make a reasonable estimate, provide the reason: Since its inauguration, the Bank has not been involved in a labor dispute that resulted in a loss. We will review the various welfare policies every year for the best interest of our employees.

6. Major Contracts

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Insurance Contract	Central Deposit Insurance Corporation	Signed on Apr. 27, 1994	Performance bond agreement for the solvency of financial institution in paying depositors	None
Insurance Contract	MSIG Mingtai Insurance Co., Ltd.	Jan. 21, 2015 To Jan. 21, 2016	Bankers Blanket Insurance	None
Outsource Contract	Yesing Technologies	December 4, 2014	Install Cami customer service via email for the Bank	None
Outsource	Union Information	Jul. 01, 2001	Credit card	None

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Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	Technology Corp.		information system	
Outsource Contract	Financial eSolution Co., Ltd.	Apr. 14, 2008	Chip card transactions processing	None
Outsource Contract	Union Information Technology Corp.	Jun. 16, 2008	Design and maintenance of Web	None
Outsource Contract	Union Information Technology Corp.	Apr. 01, 2009	Collections system of Convenient Store and tuition	None
Outsource Contract	Union Information Technology Corp.	Jun. 01, 2011	e-Gift Voucher Management System	None
Outsource Contract	Mohist Web Technology Co., Ltd.	Jul. 27, 2010	e-Gift Voucher Management System	None
Outsource Contract	IBM	Jul. 01, 2011	Credit card information system and statement printing	None
Outsource Contract	Smart Star Software Inc.	Nov 05, 2012	Maintenance of debt collection System	None
Outsource Contract	Gemalto Co., Ltd.	Jul. 15, 2007	Manufacturing of chip credit cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Dec. 10, 2007	Manufacturing of chip credit cards	None
Outsource Contract	Foongtone Technology Co., Ltd.	Jun. 09, 2008	Manufacturing of chip credit cards	None
Outsource Contract	TECO Smart Technologies Co., Ltd.	Oct. 31, 2014	Manufacturing of chip credit cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Jan. 23, 2008	Manufacturing of chip ATM cards	None
Outsource Contract	Foongtone Technology Co., Ltd.	Jun. 02, 2008	Manufacturing of chip ATM cards	None
Outsource Contract	Taiwan Mobile Payment Corporation	Dec. 17, 2014	Manufacturing of credit cards for the mobile payment tools	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Jan. 01, 2008	Printing of withholding tax statements	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Nov. 01, 2008	Printing and mailing Statement	None
Outsource Contract	Ma Chiu Consulting Management Co. Ltd.	Feb. 22, 2005	Household registration and financial/tax information search	None
Outsource Contract	SinLinYang Business Consulting Co.,	Apr. 24, 2009	Household registration and financial/tax	None

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Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
	Ltd.		information search	
Outsource Contract	EVERY8D Co., LTD.	Aug. 01, 2012	Messaging system and message delivery service	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Aug. 01, 2012	Printing, enveloping and delivery of credit card notification letter and aerogram	None
Outsource Contract	Hou Jeh Co., Ltd.	Dec. 31, 2008	Enveloping of credit card mails	None
Outsource Contract	Philip Morris International Taiwan	Nov. 20, 2012	Packaging and delivery of credit card redemptions	None
Outsource Contract	SYSTEX Corporation	Sep. 01, 2012	Delivery of credit card statements	None
Outsource Contract	Chung Hwa Express Corp.	Jul. 01, 2008	Check clearing house delivery operation	None
Outsource Contract	Leebao Security Co., Ltd	Aug. 01, 2008	Transportation of valuable securities and cash	None
Outsource Contract	Taiwan Security Co., Ltd.	Jan. 01, 2010	Transportation of valuable securities and cash	None
Outsource Contract	Jihsun Security Co., Ltd.	Dec. 01, 2012	Transportation of valuable securities and cash	None
Outsource Contract	Transnational Group	Jan. 01, 2013	Check clearing house delivery operation	None
Outsource Contract	An Fong Enterprise Co., Ltd.	Oct. 01, 2008	ATM banknote replenishment and troubleshooting operation	None
Outsource Contract	Lian-An Service Co., Ltd.	Jan. 01, 2010	ATM banknote replenishment and troubleshooting operation	None
Outsource Contract	Chou Jin-Kuo Conveyancing Office	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Ja Chou Conveyancing Office	Nov 17, 2014	Conveyancing services	None
Outsource Contract	Shih Chang-Chih Conveyancing Office	Nov 25, 2014	Conveyancing services	None
Outsource	Lee & Lin Real	Dec 1, 2014	Conveyancing	None

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Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	Estate Consultant		services	
Outsource Contract	Lin Hsiu-Fan Conveyancing Office	Dec. 01, 2014	Conveyancing services	None
Outsource Contract	Lin Yin-Hui Conveyancing Office	Dec. 01, 2014	Conveyancing services	None
Outsource Contract	Hsin Yaun Conveyancing Office	Nov 14, 2014	Conveyancing services	None
Outsource Contract	Yeah Ju-Cui Conveyancing Office	Nov 25, 2014	Conveyancing services	None
Outsource Contract	Huang Jin-Yuan Conveyancing Office	Dec. 01, 2014	Conveyancing services	None
Outsource Contract	Pu-Hsin Conveyancing Office	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Ho Yuan Advertising Co., Ltd.	Apr. 15, 2014	Contracted by another entity to process collaterals accepted under creditor right	None
Outsource Contract	Tai Ding Industrial Co., Ltd.	Aug. 28, 2007	Lost car search service	None
Outsource Contract	Fong Tai Management Consulting Co., Ltd.	Aug. 28, 2007	Lost car search service	None
Outsource Contract	Hong Jeh Management Consulting Co., Ltd.	Dec. 01, 2009	Lost car search service	None
Outsource Contract	SinJang Enterprise Co., Ltd.	Jul. 01, 2006	Lost car resell	None
Outsource Contract	Ho Rong Co., Ltd.	Oct. 01, 2006	Lost car resell	None
Outsource Contract	Yu San Automobile Co., Ltd.	Mar. 01, 2008	Lost car resell	None
Outsource Contract	Chung Yu Credit Finance & Credit Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	E-HAO MANAGEMENT CONSULTANT LTD	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Pick International Asset Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Justor Collection Management Co. Ltd.	Jul. 01, 2007	Collection of receivables	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Outsource Contract	Win Trust International Asset Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Sparkle Collection Management Co., Ltd	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Standard Finance & Credit Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	YuBan Credit Management Consulting Co., Ltd.	Jul. 06, 2007	Collection of receivables	None
Outsource Contract	Asia Credit Management Co., Ltd.	Oct. 27, 2009	Collection of receivables	None
Outsource Contract	APEX Credit Solutions Inc.	Oct. 27, 2009	Collection of receivables	None
Outsource Contract	United Credit Services Ltd.	Oct. 27, 2009	Collection of receivables	None
Outsource Contract	Global Credit Management Ltd.	Oct. 01, 2011	Collection of receivables	None
Outsource Contract	Hung Lih Asset Management Consulting Co., Ltd.	Oct. 01, 2011	Collection of receivables	None
Outsource Contract	Uni-President Enterprises Corporation	Nov. 01, 2005	Collection of consumer loan payment	None
Outsource Contract	Taiwan FamilyMart Co., Ltd.	Jun. 01, 2011	Collection of consumer loan payment	None
Outsource Contract	Taiwan FamilyMart Co., Ltd.	Jun. 01, 2011	Collection of credit card payment	None
Outsource Contract	Hi-Life International Co., Ltd	Sep. 25, 2012	Collection of credit card payment	None
Major (Note) Contracts Including Technology Cooperation Agreement, Construction Agreement, Long-term Loan Agreement and Other Agreements Sufficient to Impact the Rights of Depositors or Shareholders: None.				

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

Financial Highlights

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

(1) Condensed Consolidated Balance Sheets - IFRS

In NT\$ thousand

Year Item	Financial Data for the Past Five Years (Note 1)					Mar 31,2015 (Note2)
	2010	2011	2012	2013	2014	
Cash and equivalent, due from the Central Bank and other banks	Not Complied with IFRS		85,036,973	79,101,215	76,850,501	71,673,483
Financial assets at fair value through profit or loss			8,297,349	10,115,316	18,614,020	18,849,111
Available-for-sale financial assets			10,331,378	8,711,283	13,974,008	14,977,548
Hedging derivative financial instruments			-	-	-	-
Securities purchased under resell agreements			21,780,368	20,237,019	26,371,487	18,982,830
Receivable-Net			14,435,559	13,917,483	14,781,954	14,161,097
Current Tax asset			100,505	160,672	332,275	332,359
Available-for-sale asset-Net			-	-	-	-
Discounts & Loans-Net			199,788,512	227,974,804	255,787,180	271,379,325
Held-to-maturity financial asset			811,872	440,233	534,200	1,030,610
Equity Investment(Equity Method)- Net			54,490	54,294	54,183	54,027
Restricted assets			-	-	-	-
Other financial asset – Net			49,714,759	57,559,287	56,835,380	57,865,118
Property and equipment- Net			7,729,000	7,644,442	7,732,876	7,750,832
Investment property-Net			2,792,110	2,777,603	3,691,781	3,674,285
Intangible asset –Net			2,087,971	2,049,795	2,050,999	2,049,277
Deferred tax asset-Net			3,475,913	2,992,503	2,407,704	2,318,938
Other asset			6,629,256	6,419,023	6,463,385	6,852,636
Total asset			413,066,015	440,154,972	486,481,573	491,951,476
Due to the central bank and other banks			6,422,684	5,315,113	6,748,799	5,472,844
Call loans to the central banks and other banks			-	-	-	-
Financial liability at fair value through profit or loss			27,417	16,006	211,084	256,152
Hedging derivative financial instruments			-	-	-	-
Securities sold under repurchase agreements			28,289,349	24,582,657	31,791,276	31,785,414
Payable			6,710,952	4,267,543	5,567,108	3,940,990
Current Income Tax liability			31,307	18,954	9,849	17,990

Financial Highlights

Year Item	Financial Data for the Past Five Years (Note 1)					Mar 31,2015 (Note2)
	2010	2011	2012	2013	2014	
Liabilities directly associated with assets held for sale			-	-	-	-
Deposit and remittance			336,561,067	364,084,582	395,852,404	402,780,663
Bank debentures			5,200,000	7,400,000	7,400,000	7,974,631
Liability component of preferred stocks			-	-	-	-
Other financial liability			1,285,497	2,180,986	2,517,176	2,472,999
Provision			811,124	769,416	959,941	967,223
Deferred tax liability			352,229	574,580	707,731	699,500
Other liability			2,132,118	2,264,761	2,409,132	2,411,543
Total liability	Before dilution		387,823,744	411,474,598	454,174,500	458,779,949
	After dilution		387,823,744	411,474,598	Note3	Note3
BIS total Equity			25,005,371	28,423,332	32,038,122	32,898,729
Capital stock	Before dilution		20,264,396	22,165,651	24,509,306	24,509,306
	After dilution		22,122,641	24,448,272	Note3	Note3
Capital surplus			32,413	34,288	33,006	33,006
Retained earnings	Before dilution		4,574,007	5,391,915	6,126,910	6,853,503
	After dilution		2,534,720	3,099,932	Note3	Note3
Others equity			134,555	831,878	1,368,900	1,502,914
Treasury Stock			-	-	-	-
Non control Interest			236,900	257,042	268,951	272,798
Total equity	Before dilution		25,242,271	28,680,374	32,307,073	33,171,527
	After dilution		25,061,229	28,671,412	Note3	Note3

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

Note 2: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2015.

Note 3: The 2015 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2014 was not provided.

Financial Highlights

(2) Condensed Balance Sheet-IFRS

In NT\$ thousand

Year Item	Financial Data for the Past Five Year (Note 1)				
	2010	2011	2012	2013	2014
Cash and equivalent, due from the Central Bank and other banks	Not Complied with IFRS		84,949,171	78,568,012	76,737,109
Financial assets at fair value through profit or loss			8,094,894	9,863,257	18,373,136
Available-for-sale financial assets			10,237,156	8,500,192	13,699,485
Hedging derivative financial instruments			-	-	-
Securities purchased under resell agreements			21,764,953	20,230,519	26,350,581
Receivable-Net			14,248,095	13,742,618	14,678,252
Current Tax asset			100,493	160,660	326,786
Available-for-sale asset-Net			-	-	-
Discounts & Loans-Net			201,833,438	230,142,592	257,632,121
Held-to-maturity financial asset			811,872	428,017	521,266
Equity Investment(Equity Method)-Net			2,543,168	2,567,706	2,616,318
Restricted assets			-	-	-
Other financial asset – Net			49,485,900	57,830,216	56,639,357
Property and equipment- Net			7,713,002	7,630,976	7,722,206
Investment property-Net			-	-	-
Intangible asset -Net			2,082,738	2,044,866	2,046,198
Deferred tax asset-Net			3,305,217	2,826,055	2,245,936
Other asset			2,154,775	1,925,098	1,962,732
Total asset			409,324,872	436,460,784	481,551,483
Due to the central bank and other banks			5,115,437	4,924,611	6,164,744
Call loan to the central bank and other banks			-	-	-
Financial liability at fair value through profit or loss			27,417	16,006	211,084
Hedging derivative financial instrument			-	-	-

Financial Highlights

Year		Financial Data for the Past Five Year (Note 1)				
		2010	2011	2012	2013	2014
Securities sold under repurchase agreements				28,289,349	24,582,657	31,791,276
Payable				6,581,310	4,168,148	5,456,071
Current Income Tax liability				-	-	-
Liabilities directly associated with assets held for sale				-	-	-
Deposit and remittance				337,399,136	365,120,161	396,410,432
Bank debentures				5,200,000	7,400,000	7,400,000
Liability component of preferred stocks				-	-	-
Other financial liability				306,392	201,858	18,928
Provision				795,785	752,628	942,785
Deferred tax liability				334,380	556,558	699,730
Other liability				270,295	314,825	418,311
Total liability	Before dilution			384,319,501	408,037,452	449,513,361
	After dilution			384,319,501	408,037,452	Note3
Capital stock	Before dilution			20,264,396	22,165,251	24,509,306
	After dilution			22,122,641	24,448,272	Note3
Capital surplus				32,413	34,288	33,006
Retained earning	Before dilution			4,574,007	5,391,915	6,126,910
	After dilution			2,534,720	3,099,932	Note3
Other equity				134,555	831,878	1,368,900
Treasury stock				-	-	-
Total equity	Before dilution			25,005,371	28,423,332	32,038,122
	After dilution			24,824,329	28,414,370	Note3

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

Note 2: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2015.

Note 3: The 2015 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2014 was not provided.

Financial Highlights

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

IN NT\$ thousand

Year		Financial Data for The Past Five Years(Note1)				
		2010	2011	2012	2013	2014
Item						
Cash and cash equivalent, due from the Central Bank and other banks		70,268,555	110,172,361	Disclosed in Condensed Balance Sheet - IFRS		
Financial assets at fair value through profit or loss		3,017,823	8,167,543			
Securities purchased under resell agreements		39,500	251,626			
Available-for-sale financial assets		6,230,049	7,516,896			
Discounts & loans		189,657,099	190,679,993			
Receivables		16,808,438	15,086,661			
Held-to-maturity investment		3,272,634	1,313,015			
Equity investments- Equity method		1,050,576	1,114,794			
Property & equipment		8,089,483	7,956,701			
Intangibles		2,374,485	2,119,709			
Other financial assets		57,137,087	49,631,216			
Other assets		5,127,948	3,714,937			
Total Assets		363,073,677	397,725,452			
Call loans and due to banks		10,287,346	7,007,256			
Deposits and remittance		289,605,854	322,756,910			
Financial liabilities at fair value through profit or loss		51,584	33,852			
Securities sold under repurchase agreements		33,596,926	34,522,173			
Payables		3,838,896	5,847,302			
Bank debentures		4,890,000	4,890,000			
Liability component of preferred stocks		-	-			
Other financial liabilities		318,027	337,852			
Other liabilities		390,574	365,444			
Total	Before dilution	342,979,207	375,760,789			
Liability	After dilution	342,979,207	375,760,789			
Capital	Before dilution	19,484,996	19,484,996			
Stock	After dilution	19,484,996	19,484,996			
Capital surplus		33,811	33,811			
Retained	Before dilution	1,176,594	3,054,066			

Financial Highlights

earning	After dilution	1,176,594	1,517,215
Unrealized profit/(loss) on financial assets		155,124	(167,173)
Cumulative translation adjustments		(640,778)	(263,522)
Others		(115,277)	(177,515)
Total	Before dilution	20,094,470	21,964,663
shareholder's Equity	After dilution	20,094,470	21,207,212

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

Financial Highlights

(4) Condensed Consolidated Comprehensive Income Statement - IFRS

In NT\$ thousand

Item	YEAR	Financial Data for the past five years (Note1)				Mar 31, 2015
	2010	2011	2012	2013	2014	(Note 2)
Interest Revenue			9,088,649	9,239,639	9,675,323	2,512,603
Less: interest expense			3,426,807	3,399,120	3,730,345	976,157
Net interest			5,661,842	5,840,519	5,944,978	1,536,446
Net revenue others than interest			3,628,689	4,650,027	4,989,963	1,189,514
Total net revenue			9,290,531	10,490,546	10,934,941	2,725,960
Provision reversal of allowance for doubtful accounts			(647,490)	(95,868)	(494,806)	(27,231)
Operating expense			6,830,721	7,178,056	7,691,951	1,895,279
Income before income tax			3,107,300	3,408,358	3,737,796	857,912
Income tax (expense) revenue			(460,977)	(520,554)	(614,311)	(127,472)
Income after income tax			2,646,323	2,887,804	3,123,485	730,440
Discontinue segment profit/loss		Not Complied With IFRS	-	-	-	-
Net income			2,646,323	2,887,804	3,123,485	730,440
Other comprehensive income after tax			215,833	686,856	470,169	134,014
Total comprehensive income			2,862,156	3,574,660	3,593,654	864,454
Net income attributable to owner's of bank			2,634,718	2,867,891	3,093,795	726,593
Net income attributable to Non-controlling interests			11,605	19,913	29,690	3,847
Net profit attributable to owner's of bank			2,850,536	3,554,518	3,564,000	860,607
Net profit attributable to Non-controlling interests			11,620	20,142	29,654	3,847
Earning per share			\$1.28	\$1.18	\$1.26	\$0.30

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

Note 2: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2015.

Financial Highlights

(5) Condensed Comprehensive Income Statement - IFRS

In NT\$ thousand

Year Item	Financial Data for The Past Five years (Note1)				
	2010	2011	2012	2013	2014
Interest Revenue			9,117,046	9,271,343	9,707,194
less: Interest Expense			3,382,254	3,350,022	3,681,523
Net Interest			5,734,792	5,921,321	6,025,671
Net revenues others than interest			1,706,763	2,557,835	2,823,844
Total net revenue			7,441,555	8,479,156	8,849,515
Provision reversal of allowance for doubtful accounts			(647,490)	(95,890)	(494,806)
Operating expenses			5,038,621	5,236,264	5,668,767
Income before income tax			3,050,424	3,338,782	3,675,554
Income tax revenue(expense)			(415,706)	(470,891)	(581,759)
Income after income tax			2,634,718	2,867,891	3,093,795
Discontinue segment profit			-	-	-
Net income			2,634,718	2,867,891	3,093,795
Other comprehensive income after tax			215,818	686,627	470,205
Total comprehensive income			2,850,536	3,554,518	3,564,000
Earning per share			\$1.28	\$1.18	\$1.26

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

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

Financial Highlights

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

In NT\$ thousand

Item \ Year	Financial data for the Past Five Years (Note)				
	2010	2011	2012	2013	2014
Net interest	6,650,288	6,662,353	Disclosed in Condensed Income Statement - IFRS		
Net revenues other than interest	250,278	644,539			
Bad debts	409,502	121,500			
Operating expenses	4,658,552	4,964,012			
Income (loss) before income tax	1,832,512	2,221,380			
Income (loss) before cumulative effect of accounting changes	1,410,425	1,826,615			
Profit (loss) of discontinued operations (Net of tax)	-	-			
Extraordinary profit (loss)(Net of tax)	-	-			
Cumulative effect of accounting changes (Net of tax)	-	-			
Net Income (loss)	1,410,425	1,826,615			
Earnings (loss) per share (\$)	\$0.92	\$0.95			

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

(7) Name of CPAs and the Auditors' Opinion

Year	CPA Firm	Independent Auditors	Audit Opinion
2010	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion ^{note}
2011	Deloitte & Touche	Terence Huang / Ray Chang	Qualified opinion ^{note}
2012	Deloitte & Touche	Terence Huang / Vincent Cheng	Unqualified opinion
2013	Deloitte & Touche	Terence Huang / Vincent Cheng	Unqualified opinion
2014	Deloitte & Touche	Terence Huang / Vincent Cheng	Unqualified opinion

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

Financial Highlights

2. Financial Analysis and Capital Adequacy Ratio

(1) Financial Analysis & Key Performance Index (KPI)

A. Consolidated Financial Report.

In NT\$ thousand

Year Item(Note3)		Financial Data for the Past Five Years (Note1)					Mar 31,2015
		2010	2011	2012	2013	2014	
Operating capability	Loans to deposits ratio (%)			60.50	63.32	65.27	68.04
	Non-performing loan ratio (%)			0.23	0.26	0.09	0.07
	Interest expense to average total deposits (%)			1.04	0.97	0.98	0.98
	Interest revenue to average total loans (%)			4.64	4.28	3.96	3.78
	Total asset turnover (times)			0.0228	0.0246	0.0238	0.0223
	Average net income per employee			2,670	2,974	3,014	3,007
	Average earnings per employee			760	819	861	806
Profitability	Return on tier 1 capital (%)			38.24	15.34	15.04	Note9
	Return on assets (%)			0.65	0.68	0.67	0.60
	Return on equity (%)			10.94	10.71	10.24	8.92
	Net income ratio (%)			28.48	27.53	28.56	26.8
	EPS (NT\$)			1.28	1.18	1.26	0.30
Financial Structure	Total liabilities to total assets ratio (%)			93.86	93.46	93.32	93.22
	Fixed assets to shareholders' equity ratio (%)			30.62	26.65	23.94	23.37
Growth rate	Asset growth ratio (%)			2.39	6.56	10.53	1.12
	Profitability growth ratio (%)			37.00	9.69	9.67	(8.19)
Cash Flow	Cash flow ratio (%)			-	-	-	-
	Cash flow adequacy ratio (%)			413.08	315.88	147.02	61.58
	Cash flow reinvestment ratio (%)			-	-	-	-
Liquid Reserve Ratio (%)				29.02	23.86	23.38	21.06
Balance of Secured Loans to Related Parties				1,395,602	1,840,562	1,781,537	1,819,784
Total Secured Loans to Related Parties as a % of Total Loans				0.65	0.76	0.65	0.62
Operation Scale	Market share of asset (%)			1.00	0.97	0.99	Note 10
	Market share of net worth (%)			0.96	1.01	1.03	
	Market share of deposits (%)			1.03	1.06	1.08	
	Market share of loans (%)			0.93	1.03	1.10	

Not Complied with IFRS

Financial Highlights

Item(Note3)	Year	Financial Data for the Past Five Years (Note1)					Mar 31,2015
		2010	2011	2012	2013	2014	

1. The decrease in the NPL ratio was primarily due to the quality of corporate banking loans.
2. Increase in asset growth was primarily due to an increase of \$46,327 million in total assets in 2014, which was higher compared to \$27,089 million in 2013. Increase in total assets in 2014 was primarily contributed by increase in discounts and loans of \$27,812 million, and other financial assets of \$19,896 million. Increase in total assets in 2013 was primarily contributed by increase in discounts and loans of \$28,186 million, and other financial assets of \$7,844 million.
3. Profitability saw a decline primarily due to the amortization of non-performing loans disposed of in 2006. Amortization of the non-performing loans concluded in 2011, however, the amortization expense had reduced a certain amount of the Bank's profits. The Bank's profit saw a significant improvement from 2012 as the effect of amortization no longer existed. Profitability continued to improve for the 2014 income year, though at a slower pace compared to the previous year.

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

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

Note 3: Financial ratios are computed as follows:

I. Operating Capability

- i. Loans to deposits ratio= Total loans/ total deposits (excluding redeposits of Chunghwa Post Co.)
- ii. Non-performing loan ratio= Total NPL/ total loans
- iii. Interest expense to average total deposits= Deposits related interest expense/ average total deposits
- iv. Interest revenue to average total loans= Loans related interest revenue/ average total loans
- v. Total asset turnover= Net operating revenue/ average total assets
- vi. Average net income per employee= Net operating revenue/ total number of employees.
- vii. Average earnings per employee= Net income after tax/ total number of employees.

II. Profitability

- i. Return on tier 1 capital= Net income before tax/ average total tier 1 capital.
- ii. Return on assets= Net income after tax/ average total assets.
- iii. Return on equity= Net income after tax/ average shareholders' equity.
- iv. Net Income ratio= Net income after tax/ net income.
- v. Earnings per share=(Net Income after tax - preferred stock dividend)/weighted average outstanding shares

III. Financial structure

- i. Total liabilities to total assets ratio=Total liabilities/total assets.
- ii. Fixed assets and equipment to net worth ratio=Fixed assets and equipment , net/shareholders' equity, net.

IV. Growth rate

- i. Asset growth ratio=(Total assets as at the end of this year - total assets as at the end of last year)/total assets as at the end of last year.
- ii. Profitability growth ratio=(Net income before tax for the current year- net income before tax for the past year)/net income before tax for the past year.

V. Cash flow

- i. Cash flow ratio=Net cash from operating activities/(call loans to banks+ CD payable + change in fair value of financial liabilities through the income statement +repurchase securities payable +Liabilities-current portion due within one year).
- ii. Cash flow adequacy ratio=Net cash from operating activities for the past five years/(capital expenditure + cash dividends) incurred for the past 5 years.
- iii. Cash flow reinvestment ratio=Net cash from operating activities/net cash from investing activities.

VI. Liquid reserve ratio=Liquid assets statutorily required/reserve for liabilities.

VII. Operation scale

- i. Market share of assets=Total assets/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.
- ii. Market share of net worth=Net worth/total net worth of all authorized deposit-taking and loan-underwriting financial institutions*.
- iii. Market share of deposits=Total deposits/total deposits of all authorized deposit-taking and loan-underwriting financial institutions*.
- iv. Market share of loans=Total loans/total loans of all authorized deposit-taking and loan-underwriting financial institutions*.

Note 4: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve and contingency reserve.

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

Financial Highlights

at year end.

II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.

III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.

V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.

Note 6: All authorized deposit-taking and loan-underwriting financial institutions include all domestic bank, the local branches of foreign banks, credit cooperative associations, farmers' & fishermen's associations and trust & investment corps.

Note 7 : Revenue refers to the sum of interest income and non-interest income.

Note 8 : The following notes apply when conducting cash flow analysis:

I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.

II. Capital expenditures means the amounts of cash out-flows for annual capital investment.

III. Cash dividend includes cash dividends from both common shares and preferred shares.

VI. Gross real estate and equipment refers to total real estate and equipment before deducting accumulated depreciation.

Note 9: The BASEL 3 regulations require companies to prepare consolidated financial information every six months.

Note 10 The Banking Bureau has scheduled to upload the data of domestic banks for March 2014 on May 15, 2014.

Financial Highlights

(B) Financial Analysis – Financial Report

In NT\$ thousand

Year		Financial Data for the Past Five Years (Note1)					Mar 31,2015(Note 2)
		2010	2011	2012	2013	2014	
Operating capability	Loans to deposits ratio (%)			60.50	63.73	65.65	Consolidated Statement Only
	Non-performing loan ratio (%)			0.23	0.29	0.09	
	Interest expense to average total deposits (%)			1.03	0.95	0.97	
	Interest revenue to average total loans (%)			4.61	4.26	3.94	
	Total asset turnover (times)			0.0184	0.0201	0.0193	
	Average net income per employee			2,320	2,610	2,637	
	Average earnings per employee			822	883	922	
Profitability	Return on tier 1 capital (%)			15.07	15.24	14.72	
	Return on assets (%)			0.65	0.68	0.67	
	Return on equity (%)			11.00	10.74	10.23	
	Net income ratio (%)			35.41	33.82	34.96	
	EPS (NT\$)			1.28	1.18	1.26	
Financial Structure	Total liabilities to total assets ratio (%)			93.86	93.47	93.31	
	Fixed assets to shareholders' equity ratio (%)			30.85	26.85	24.10	
Growth rate	Asset growth ratio (%)			2.40	6.63	10.33	
	Profitability growth ratio (%)			37.32	9.45	10.09	
Cash Flow	Cash flow ratio (%)			-	-	-	
	Cash flow adequacy ratio (%)			1388.05	1493.53	663.36	
	Cash flow reinvestment ratio (%)			-	-	-	
Liquid Reserve Ratio (%)				29.02	23.86	23.38	
Balance of Secured Loans to Related Parties				3,440,528	4,008,350	3,626,478	
Total Secured Loans to Related Parties as a % of Total Loans				1.61	1.65	1.32	
Operation Scale	Market share of asset (%)			0.99	0.97	0.98	
	Market share of net worth (%)			0.95	1.00	1.02	
	Market share of deposits (%)			1.03	1.06	1.08	
	Market share of loans (%)			0.94	1.04	1.11	

Not Complied With IFRS

Financial Highlights

The reason of financial ratio fluctuation in recent year:

1. The decrease in the NPL ratio was primarily due to the quality of corporate banking loans.
2. Increase in asset growth was primarily due to an increase of \$45,091 million in total assets in 2014, which was higher compared to \$27,136 million in 2013. Increase in total assets in 2014 was primarily contributed by increase in discounts and loans of \$27,490 million, and other financial assets of \$19,829 million. Increase in total assets in 2013 was primarily contributed by increase in discounts and loans of \$28,309 million, and other financial assets of \$8,344 million.

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

Note 2: All financial data for the most recent two years was audited by CPA .

Note 3: Financial ratios are computed as follows:

I. Operating Capability

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

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

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

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

Total asset turnover= Net operating revenue/ total assets.

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

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

II. Profitability

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

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

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

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

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

III. Financial structure

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

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

IV. Growth rate

Asset growth ratio= (Total assets as at the end of this year - total assets as at the end of last year)/total assets as at the end of last year..

Profitability growth ratio= (Net income before tax for the current year- net income before tax for the past year)/net income before tax for the past year.

V. Cash flow

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

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

Cash flow reinvestment ratio= Net cash from operating activities/net cash from investing activities.

VI. Liquid reserve ratio= Liquid assets statutorily required/reserve for liabilities.

VII. Operation scale

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

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

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

Financial Highlights

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

Note 4: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve and contingency reserve.

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

II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.

III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.

V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.

Note 6: All authorized deposit-taking and loan-underwriting financial institutions include all domestic bank, the local branches of foreign banks, credit cooperative associations, farmers' & fishermen's associations and trust & investment corps.

Note 7: Revenue refers to the sum of interest income and non-interest income.

Note 8: The following notes apply when conducting cash flow analysis:

I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.

II. Capital expenditures means the amounts of cash out-flows for annual capital investment.

III. Cash dividend includes cash dividends from both common shares and preferred shares.

IV. Gross real estate and equipment refers to total real estate and equipment before deducting accumulated depreciation.

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

NT\$ thousand;%

Year		Financial Data in the past five years				
		2010	2011	2012	2013	2014
Operating capability	Loans to deposits ratio (%)	66.03	59.70	Disclosed in Financial Report of IFRS		
	Non-performing loan ratio (%)	0.74	0.36			
	Interest expense to average total deposits (%)	0.90	0.94			
	Interest revenue to average total loans (%)	5.13	5.00			
	Total asset turnover (times)	0.0190	0.0184			
	Average net income per employee	2,320	2,349			
	Average earnings per employee	474	587			
Profitability	Return on tier 1 capital (%)	14.68	15.28			

Financial Highlights

Year		Financial Data in the past five years				
		2010	2011	2012	2013	2014
Item	Return on assets (%)	0.40	0.48			
	Return on equity (%)	7.50	8.69			
	Net income ratio (%)	20.44	25.00			
	EPS (NT\$)	0.92	0.95			
Financial Structure	Total liabilities to total assets ratio (%)	94.44	94.47			
	Fixed assets to shareholders' equity ratio (%)	40.26	36.23			
Growth rate	Asset growth ratio (%)	4.59	9.54			
	Profitability growth ratio (%)	172.28	21.22			
Cash Flow	Cash flow ratio (%)	12.16	9.50			
	Cash flow adequacy ratio (%)	2,664.04	2,533.15			
	Cash flow reinvestment ratio (%)	54.14	12.46			
Liquid Reserve Ratio (%)		21.13	29.97			
Balance of Secured Loans to Related Parties		3,623,169	3,022,980			
Total Secured Loans to Related Parties as a % of Total Loans		1.81	1.49			
Operation Scale	Market share of asset (%)	0.97	1.00			
	Market share of net worth (%)	0.88	0.91			
	Market share of deposits (%)	0.96	1.02			
	Market share of loans (%)	0.96	0.92			

Note 1: All financial data for the most recent five years was audited by CPA.

Note 2: Financial ratios are computed as follows:

I. Operating Capability

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

Non-performing loan ratio= Total NPL/ total loans

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

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

Total asset turnover= Net operating revenue/ total assets

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

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

II. Profitability

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

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

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

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

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

III. Financial structure

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

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

IV. Growth rate

Asset growth ratio=(Total assets as at the end of this year - total assets as at the end of last year)/total assets as at the end of last year..

Financial Highlights

Profitability growth ratio=(Net income before tax for the current year- net income before tax for the past year)/net income before tax for the past year.

V. Cash flow

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

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

Cash flow reinvestment ratio=Net cash from operating activities/net cash from investing activities.

VI. Liquid reserve ratio=Liquid assets statutorily required/reserve for liabilities.

VII. Operation scale

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

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

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

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

Note 3: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve, reserve for securities trading loss, reserve for loss arising from breach of contract and contingency reserve.

Note 4: I .Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.

II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.

III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.

V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.

Note 5: All authorized deposit-taking and loan-underwriting financial institutions include all domestic bank, the local branches of foreign banks, credit cooperative associations, farmers' & fishermen's associations and trust & investment corps.

Note 6 :Revenue refers to the sum of interest income and non-interest income.

Note 7 : The following notes apply when conducting cash flow analysis:

I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.

II. Capital expenditures means the amounts of cash out-flows for annual capital investment.

III. Cash dividend includes cash dividends from both common shares and preferred shares.

IV. Gross real estate and equipment refers to total real estate and equipment before deducting accumulated depreciation.

Financial Highlights

(2) Capital Adequacy

(Unconsolidated)

In NT\$ thousand

Item		Year(Note 1)	Financial Data for the Past Five Years (Note 2)					Mar 31, 2015
			2010	2011	2012	2013	2014	
Regulatory Capital	Common Stock Equity					23,562,741	26,380,471	27,277,473
	Other Tier1 Capital of Non- Common Stock Equity					0	0	0
	Tier2 Capital					6,624,701	6,462,888	6,176,872
	Regulatory Capital					30,187,442	32,843,359	33,454,345
Risk Weighted Assets	Credit risk	Standardized Approach				190,929,908	214,767,222	227,435,070
		Internal Ratings-Based Approach				-	-	-
		Credit Valuation Adjustment (CVA)				18,320	8,416	5,212
		Asset Securitization				1,219,545	1,262,627	1,248,604
	Operation risk	Basic Indicator Approach				15,405,625	15,555,738	15,555,741
		Standardized Approach/ Alternative Standardized Approach				-	-	-
		Advanced Measurement Approach				-	-	-
	Market Risk	Standardized Approach				9,234,588	17,206,850	16,623,466
		Internal Model Approach				-	-	-
	Total Risk-weighted Assets					216,807,986	248,800,853	260,868,093
Capital Adequacy Ratio					13.92%	13.20%	12.82%	
Ratio of tier 1 capital to risk-weighted assets					10.87%	10.60%	10.46%	
Ratio of common stock equity to risk-weighted assets					10.87%	10.60%	10.46%	
Leverage Ratio							5.15%	

BASEL III NOT APPLICABLE

Note1: The financial data in 2013 was computed based on the BASEL3 standards and was audited by CPA with the exception of the first quarterly financial data for 2015.

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- i. Regulatory Capital = Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity + Tier2 Capital
- ii. Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation * 12.5.
- iii. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
- iv. Ratio of tier 1 capital to risk-weighted assets = (Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity) / Total risk-weighted assets.
- v. Ratio of Common Stock Equity I to risk-weighted assets = Common Stock Equity / Total risk-weighted assets.
- vi. Gearing ratio = Tier 1 Capital - Net / Total Risk Exposure.

Financial Highlights

(Consolidated)

In NT\$ thousand

Item		Year(Note 1)	Financial Data for the Past Five Years (Note2)				
			2010	2011	2012	2013	2014
Regulatory Capital	Common Stock Equity					23,436,734	26,284,281
	Other Tier1 Capital of Non- Common Stock Equity					0	0
	Tier2 Capital					9,229,142	9,094,428
	Regulatory Capital					30,665,876	35,378,709
Risk Weighted Assets	Credit risk	Standardized Approach				199,593,002	222,034,638
		Internal Ratings-Based Approach				-	-
		Credit Valuation Adjustment (CVA)				18,320	8,416
		Asset Securitization				1,252,907	1,262,627
	Operation risk	Basic Indicator Approach				17,706,850	17,986,163
		Standardized Approach/ Alternative Standardized Approach				-	-
		Advanced Measurement Approach				-	-
	Market Risk	Standardized Approach				10,280,113	18,233,988
		Internal Model Approach				-	-
	Total Risk-weighted Assets					228,851,192	259,525,832
Capital Adequacy Ratio					14.27%	13.63%	
Ratio of tier 1 capital to risk-weighted assets					10.24%	10.13%	
Ratio of common stock equity to risk-weighted assets					10.24%	10.13%	
Leverage Ratio							

BASELIII Not Applicable

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

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- i. Regulatory Capital = Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity + Tier2 Capital
- ii. Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation * 12.5.
- iii. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
- iv. Ratio of tier 1 capital to risk-weighted assets = (Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity) / Total risk-weighted assets.
- v. Ratio of Common Stock Equity I to risk-weighted assets = Common Stock Equity / Total risk-weighted assets.
- vi. Gearing ratio = Tier 1 Capital - Net / Total Risk Exposure

Financial Highlights

(Unconsolidated)

In NT\$ thousand

Item		Year(Note 1)	The capital adequacy of recent five years		
			2010	2011	2012
Regulatory Capital	Tier1 capital	Common Stock	16,459,908	16,459,908	20,060,202
		Irredeemable non-cumulative preferred stock	0	0	0
		Non-cumulative subordinate debentures with no maturity date	0	0	0
		Capital collected in advance	0	0	0
		Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	33,811	33,811
		Legal Reserve	0	352,978	900,963
		Special Reserve	0	874,473	608,209
		Cumulative Profit/Loss	1,176,594	1,826,615	2,621,624
		Minority Shareholding	0	0	0
		Other Shareholders' Equity	-801,428	-1,036,271	-1,137,674
		Less: Goodwill	2,374,485	2,119,709	1,985,307
		Unamortized loss on sale of delinquent loans	0	0	0
		Deferred income tax assets based on the bank's future profitability	0	0	0
		Unrealised gain on available-for-sale financial assets	0	0	0
		Deduction items	954,735	856,919	861,657
	Total Tier 1 Capital	13,539,665	15,534,886	20,240,171	
	Tier2 Capital	Irredeemable Cumulative Preferred Stock	3,025,088	3,025,088	204,194
		Cumulative subordinate debentures with no maturity date	0	0	0
		Fixed asset revaluation increment surplus	0	0	0
		45% of unrealized gain on financial assets available for sale	90,224	192,628	351,934
		Convertible bonds	0	0	0
		Operating reserve and allowance for bad debts	0	0	656,743
		Long-term subordinate debentures	1,458,000	2,880,000	4,040,000
		Redeemable preferred stocks	0	0	0
		The sum of irredeemable non-cumulative preferred stocks and non-cumulative subordinate debentures with no maturity in excess of 15% of total Tier 1 Capital	0	0	0
		Less: Deduction items	857,384	851,875	861,657
		Less: 50% of Cumulative Loss	0	0	0
Total Tier 2 Capital	3,715,928	5,245,841	4,391,214		
Tier3 Capital	Short-term subordinate debentures	0	0	0	
	Redeemable preferred stock	0	0	0	

Financial Highlights

Item	Year(Note 1)	The capital adequacy of recent five years			
		2010	2011	2012	
	Total Tier 3 Capital	0	0	0	
	Regulatory Capital	17,255,593	20,780,727	24,631,385	
Risk Weighted Assets	Credit risk	Standardized Approach	154,210,916	157,020,298	172,264,571
		Internal Ratings-Based Approach	0	0	0
		Credit Valuation Adjustment (CVA)	0	0	0
		Asset Securitization	629	0	2,173,343
	Operation risk	Basic Indicator Approach	14,993,291	15,633,843	15,472,421
		Standardized Approach/ Alternative Standardized Approach	0	0	0
		Advanced Measurement Approach	0	0	0
	Market Risk	Standardized Approach	3,225,875	5,666,525	6,945,775
		Internal Model Approach	0	0	0
		Total Risk-weighted Assets	172,430,711	178,320,666	196,856,110
	Capital Adequacy Ratio	10.01%	11.65%	12.51%	
	Ratio of tier 1 capital to risk-weighted assets	7.85%	8.71%	10.28%	
	Ratio of tier 2 capital to risk-weighted assets	2.16%	2.94%	2.23%	
	Ratio of tier 3 capital to risk-weighted assets	0	0	0	
	Ratio of common stocks to total assets	4.53%	4.14%	4.93%	

Note1: All financial data from 2010 to 2012 was audited by CPA with Basel 2.

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- i. Regulatory Capital = Tier 1 capital + tier 2 capital + tier 3 capital.
- ii. Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation * 12.5.
- iii. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
- iv. Ratio of tier 1 capital to risk-weighted assets = Tier 1 capital / Total risk-weighted assets.
- v. Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital / Total risk-weighted assets.
- vi. Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital / Total risk-weighted assets.
- vii. Common Stock to Total Assets Ratio = Common Stock / Total Assets.

Note4: Any improvement measure to be taken when the ratio of core equity to risk-weighted assets (as calculated in accordance with article 44 of the Banking Act) is lower than the statutory ratio: Not applicable.

Financial Highlights

(Consolidated)
In NT\$ thousand

Item	Year (Note1)	Financial Data for the recent five years (note2)				
		2010	2011	2012		
Regulatory Capital	Tier1 capital	Common Stock	16,459,908	16,459,908	20,060,202	
		Irredeemable non-cumulative preferred stock	0	0	0	
		Non-cumulative subordinate debentures with no maturity date	0	0	0	
		Capital collected in advance	0	0	0	
		Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	33,811	33,811	
		Legal Reserve	0	352,978	900,963	
		Special Reserve	0	874,473	608,209	
		Cumulative Profit/Loss	1,176,594	1,826,615	2,621,624	
		Minority Shareholding	214,532	225,047	236,568	
		Other Shareholders' Equity	-801,428	-1,036,271	-1,137,674	
		Less: Goodwill	2,374,485	2,119,709	1,985,307	
		Unamortized loss on sale of delinquent loans	0	0	0	
		Deduction items	508,339	364,323	340,871	
		Total Tier 1 Capital	14,200,593	16,252,529	20,997,525	
	Tier2 capital	Irredeemable Cumulative Preferred Stock	3,025,088	3,025,088	204,194	
		Cumulative subordinate debentures with no maturity date	0	0	0	
		Fixed asset revaluation increment surplus	0	0	0	
		45% of unrealized gain on financial assets available for sale	90,224	192,628	351,934	
		Convertible bonds	0	0	0	
		Operating reserve and allowance for bad debts	0	23,894	660,432	
		Long-term subordinate debentures	1,458,000	2,880,000	4,040,000	
		Redeemable preferred stocks	0	0	0	
		The sum of irredeemable non-cumulative preferred stocks and non-cumulative subordinate debentures with no maturity in excess of 15% of total Tier 1 Capital	0	0	0	
		Less: Deduction items	410,987	364,323	340,871	
		Less: 50% of Cumulative Loss	0	0	0	
	Total Tier 2 Capital	4,162,325	5,757,287	4,915,689		
	Tier3 capital	Short-term subordinate debentures	0	0	0	
		Redeemable preferred stock	0	0	0	
		Total Tier 3 Capital	0	0	0	
	Regulatory Capital		18,362,918	22,009,816	25,913,214	
	Risk-weighted Assets	Credit risk	Standardized Approach	161,235,905	164,071,544	179,355,940
			Internal Ratings-Based Approach	0	0	0
			Asset Securitization	54,476	37,186	2,210,034
Operational risk		Basic Indicator Approach	16,722,350	17,361,014	17,483,582	
		Standardized Approach/ Alternative Standardized Approach	0	0	0	
		Advanced Measurement Approach	0	0	0	
Market risk		Standardized Approach	3,314,250	5,790,138	7,249,375	
		Internal Model Approach	0	0	0	
Total Risk-weighted Assets		181,326,981	187,259,882	206,298,931		

Financial Highlights

Item	Year (Note1)		
	Financial Data for the recent five years (note2)		
	2010	2011	2012
Capital Adequacy Ratio	10.13%	11.75%	12.56%
Ratio of tier 1 capital to risk-weighted assets	7.83%	8.68%	10.18%
Ratio of tier 2 capital to risk-weighted assets	2.30%	3.07%	2.38%
Ratio of tier 3 capital to risk-weighted assets	0	0	0
Ratio of common stocks to total assets	4.50%	4.10%	4.88%

Note1: All financial data from 2010 to 2012 was audited by CPA with Basel 2.

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- I. Regulatory capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
- II. Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation $\times 12.5$.
- III. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
- IV. Tier 1 Capital to Risk Assets Ratio = Tier 1 Capital / Total risk-weighted assets.
- V. Tier 2 Capital to Risk Assets Ratio = Tier 2 Capital / Total risk-weighted assets.
- VI. Tier 3 Capital to Risk Assets Ratio = Tier 3 Capital / Total risk-weighted assets.
- VII. Common Stock to Total Assets Ratio = Common Stock / Total Assets.

Note4: Any improvement measure to be taken if the capital adequacy ratio (as calculated in accordance with article 44 of the Banking Act) is lower than the statutory ratio: Not applicable.

3. Supervisors' Report for the 2014 Financial Statements

Union Bank of Taiwan Co., Ltd.

Supervisors' Report

The Board of Directors of the Bank has prepared and submitted the 2014 Business Report, Financial Statements (Including Balance Sheet, Income Statement, Statement of Shareholders' Equity, Statement of Cash Flows), and proposal for allocating profits, of which, the Financial statements (including consolidated statements of subsidiaries) have been audited by CPA Mr. Vincent Cheng and Mr. Terence Huang of Deloitte & Touche. The above Business Report, Financial Statements and proposal have been further determined to be correct and accurate by the supervisors. Hence, according to Article 219 of the Company Act, we hereby submit this report.

Resident Supervisor : Pao-Shing Co., Ltd.

Representative : Jia-Yi Wang



Supervisor : Pao-Shing Investment Co., Ltd.

Representative : Zhen-Lu Lin



Supervisor : Pai-Sheng Investment Co., Ltd.

Representative : Si-Yong Lin



March 18, 2015

4. Financial Statements for 2014 : Please refer to Page 152 to Page 250.

5. Any Financial Difficulties Experienced by the Bank and its Affiliated Enterprises in the Past Year and Current Year up to the Printing Date of the Annual Report, if yes, please narrate the impact upon the Bank's financial conditions: None.

Analysis of the Financial Status and Operating Results & Risk Management

1. Financial Status

In NT\$ thousand

Item	Year	Dec. 31, 2014	Dec. 31, 2013	Difference	
				Amount	%
Cash & cash equivalent, Due from Central Bank and other banks		76,850,501	79,101,215	(2,250,714)	-3%
Financial assets at fair value through profit or loss(note 1)		18,614,020	10,115,316	8,498,704	84%
Securities purchased under re-sale agreements		26,371,487	20,237,019	6,134,468	30%
Account receivable – net		14,781,594	13,917,483	864,111	6%
Current income tax asset		332,275	160,672	171,603	107%
Discount & loans – net		255,787,180	227,974,804	27,812,376	12%
Financial assets available for sale – net		13,974,008	8,711,283	5,262,725	60%
Held-to-maturity investment financial asset (note 2)		534,200	440,233	93,967	21%
Stock investments accounted for under the Equity Method		54,183	54,294	(111)	0%
Other Financial Assets - net		56,835,380	57,559,287	(723,907)	-1%
Property & equipment – net		7,732,876	7,644,442	88,434	1%
Investment property-net		3,691,781	2,777,603	914,178	33%
Intangibles		2,050,999	2,049,795	1,204	0%
Due to Central Bank & other banks		2,407,704	2,992,503	(584,799)	-20%
Other assets		6,463,385	6,419,023	44,362	1%
Total assets		486,481,573	440,154,972	46,326,601	11%
Due to Central Bank & other banks		6,748,799	5,315,113	1,433,686	27%
Financial liability at fair value through profit or loss(Notes 3)		211,084	16,006	195,078	1219%
Securities sold under re-purchase agreement		31,791,276	24,582,657	7,208,619	29%
Accounts Payable (Notes4)		5,567,108	4,267,543	1,299,565	30%
Current income tax liabilities		9,849	18,954	(9,105)	-48%
Deposit & remittance		395,852,404	364,084,582	31,767,822	9%
Bank debentures		7,400,000	7,400,000	0	0%
Other financial liability(Note5)		2,517,176	2,180,986	336,190	15%
Provision		959,941	769,416	190,525	25%
Deferred income tax liabilities		707,731	574,580	133,151	23%
Other liabilities		2,409,132	2,264,761	144,371	6%
Total liabilities		454,174,500	411,474,598	42,699,902	10%
Capital stock		24,509,306	22,165,251	2,344,055	11%
Capital surplus		33,006	34,288	(1,282)	-4%
Retained earnings		6,126,910	5,391,915	734,995	14%
Others equity (note 6)		1,368,900	831,878	537,022	65%

Analysis of the Financial Status and Operating Results & Risk Management

Total equity attributable to owners of the Bank	32,038,122	28,423,332	3,614,790	13%
Non control interest	268,951	257,042	11,909	5%
Total Equity	32,307,073	28,680,374	3,626,699	13%

Notes:

1. The increase in financial assets at fair value through profit or loss was due to and increase of \$8,231 million in total commercial paper investment in 2014.
2. The increase in held-to-maturity financial assets was due primarily to the increase of \$3,467 million in Corporate Bond Investment in 2014.
3. The increase of financial liability was due to the increase of forward and options contracts in 2014.
4. The increase in Bank debentures was due to the increase in notes payable.
5. The increase in other financial liability was the increase of \$519million in commercial paper payable.
6. The increase in Other equity was due to the depreciation of NTD.

2. Results of Operation

In NT\$ thousand

Item	2014		2013		Change in Amount	Change in %
	Amount		Amount			
Interest Income		\$5,944,978		\$5,840,519	104,459	2%
Income other than Interest Income		4,989,963		4,650,027	339,936	7%
Reversal of Bad debt expense		(494,806)		(95,868)	(398,938)	416%
Operating expense		7,691,951		7,178,056	513,895	7%
Wages & salaries	2,971,179		2,838,048		133,131	5%
Depreciation & amortization expense	1,634,372		1,660,786		(26,414)	-2%
Other business & administrative expense	3,086,400		2,679,222		407,178	15%
Income (loss) before tax		3,737,796		3,408,358	329,438	10%
Income tax benefits (expense)		614,311		520,554	93,757	18%
Consolidated income		\$3,123,485		\$2,887,804	235,681	8%
Other comprehensive income, net of income tax		470,169		686,856	(216,687)	-32%
Total comprehensive income		\$3,593,654		\$3,574,660	18,994	1%

Notes of change:

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

Analysis of the Financial Status and Operating Results & Risk Management

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

Item \ Year	2014	2013	Change in %
Cash flow ratio (%)	3.3%	-	3.3%
Cash flow adequacy ratio (%)	147.02%	315.88%	-168.86%
Cash flow satisfaction ratio (%)	-	-	-

Analysis of changes in proportion:

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

(2) Liquidity Analysis for the Next Year

In NT\$ thousand

Opening balance of cash ①	Expected cash inflows (outflows) from operating activities ②	Total expected cash inflows (outflows) ③	Expected cash surplus (deficit) ①+②+③	Corrective measures for cash Deficiency	
				Investment Plan	Financing Plan
86,061,535	(22,503,280)	18,844,043	82,402,298	-	-

1. Cash flow analysis:

- Operating activities: The increase was due to the growth of operating activities.
- Investing and financing activities: The increase in the issue of Bank debentures to meet the business demand of growth.
- Measures to finance cash deficiency and liquidity analysis: None.

4. The Impact of Major Capital Expenditure on the Bank's Financial Operations for the recent years

(1) Major Capital Expenditures and sources of funding:

In NT\$ thousand

Project	Sources of Funding	Date of Completion	Total Funding Required	Utilization of Actual or Estimated Source of Funding				
				Actual	or	Estimated	2011	2012
Office equipment	Self-funding	December 2015	299,424	22,488	22,659	34,019	46,201	174,057
Transportation equipment	Self-funding	December 2015	31,501	4,985	8,834	6,093	11,589	-
Other equipment	Self-funding	December 2015	199,214	5,367	5,426	4,891	6,935	176,595
Land	Self-funding	December 2015	237	0	237	0	0	-
Building & improvements	Self-funding	December 2015	140,434	414	31,359	47,295	61,366	-

- Expected benefits: Improve the Bank's corporate image and service quality as well as maintain a stable service network and rental saving.

5. Reinvestment Policy, the Main Reasons for Profit or Loss, Corrective Action Plan in last year, and Investment Plan for the Next Year:

Analysis of the Financial Status and Operating Results & Risk Management

- (1) Reinvestment Policy
The Bank's basic principles of reinvestment are to be in line with the government policy, to carry out business diversification and to optimize capital utilization. In addition, the bank will coalesce its related financial business channels to provide customers with multiple services and to create an operating synergy for the group.
- (2) The Main Reasons for Profit or Loss, and Corrective Action Plan in 2014
The Bank's Investment profit recognized in 2014 totalled NT\$159,000,000 and the main items recognized are the operating profit and cash dividend income of the reinvestment business.
- (3) Improvement Plan
The Bank evaluates the performance and risks of our investee companies on a regular basis during the year. We adopt a proactive management approach in that we examine the financial and business status of investee companies from time to time and make adjustments accordingly to ensure performance.
- (4) Investment Plan for the Next Year
Will depend on the overall economic environment and the Bank's operating strategy.

6. Risk Management

- (1) Qualitative and Quantitative Information About the Various Risks:
 - A. Credit Risk Management System and Capital Requirement:
 - a. Credit Risk Management System-2014

Item	Contents
1. Credit risk management strategies and procedures	<ol style="list-style-type: none"> 1. Credit risk management strategy: The Bank has enacted UBOT credit risk management principle as the basis to plan, promote, manage and execute the credit risk. 2. Credit risk management objective: The Bank has established credit risk management mechanism to lower credit risk, and to achieve the objective of operating and management, and to attain a balance between risk control and business development. 3. Credit risk management policy: The Bank has aimed at maintaining an adequate capital base within an acceptable level of credit risk to complete the objective of credit risk strategy and maximize revenue in after-risk-adjusted. 4. Credit risk management procedure: The Bank has employed procedures such as risk recognition, risk measuring, risk offsetting, risk control and risk reporting etc. to establish risk management system.
2. Credit risk management organization and framework	<ol style="list-style-type: none"> 1. Board of Directors: The highest decision-making unit of the Bank's credit risk management policy. Responsible for reviewing the Bank's credit risk management policy. 2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's credit risk management. 3. Risk Management Dept.: Responsible for examining the risk management mechanisms established by the respective business administration

Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
	<p>departments, performing the risk control and submitting the risk control report to the Board of Directors regularly.</p> <p>4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and properly supervising the performance of risk control of respective business unit.</p> <p>5. Respective business units: Shall comply with the rules and regulations set forth by the Business Planning and Administration Departments while conducting their day-to-day operations.</p>
3. Scope and characteristics of credit risk reporting and measurement system	<p>Scope of Risk Reporting</p> <p>1. All business administration departments report to the Assets and Liabilities Management Committee on a periodic basis regarding the status of business promotion and execution as well as information on the allocation of risk-based assets.</p> <p>2. The Risk Management Dept. monitors the control of the Bank's credit limits on a periodic basis and reports to the Assets and Liabilities Committee with respect to concentration of credit risks and achievement of the BIS targets set for various business sectors. The Risk Management Dept. also reports to the Board of Directors on the various business volumes achieved, status of nonperforming loans, concentration of credit risks and the execution of credit risk control measures.</p> <p>Measurement System: The Bank adopts the Standardized Approach to compute the capital requirement and regularly generates official risk management reports. The Risk Management Dept. and the respective business administration departments generate various risk exposure reports by business, industry, country, group, credit concentration and types of collateral, to effectively measure and manage the combination of asset.</p>
4. Credit risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	<p>The Bank employs suitable strategies such as eschewing, transfer, control and undertaking to tackle possible credit risk losses of all business units according to their respective business characteristics and cost-effective considerations.</p> <p>The Bank's IT system provides the relevant risk information to assist the Bank's management to perform risk monitoring procedures. The Risk Management Dept. reports the status of risk control measures to the Board of Directors on a six-monthly basis.</p>
5. Method used to provide the legal capital	Standard Method.

b. Exposure after risk reduction & capital requirement for standard method of credit risk calculation

As of Mar 31, 2015

In NT\$ thousand

Analysis of the Financial Status and Operating Results & Risk Management

Type of exposure	Exposure after risk reduction	Capital requirement(Note)
Sovereign states	73,928,282	0
Public departments other than the central government	43,778,912	700,463
Banks (including multiple development banks)	20,892,619	640,080
Enterprises (including securities and insurance companies)	55,600,369	4,335,571
Retailing credits	132,017,891	8,676,472
Residential real estate	64,124,969	2,980,173
Investments in equity securities	85,178	27,257
Other assets	16,879,963	834,790
Total	407,308,183	18,194,806

Note: The capital requirement is exposure after risk reduction multiplying by the statutory minimum capital adequacy ratio.

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

a. Risk Management System of Asset Securitization in 2014

Item	Contents
1. Management strategy and procedure of securitization	<p>(1) Securitization Strategy: The current asset securitization investment positions held by the Bank belong to the banking books. In principle the bank does not act in the capacity of the originating bank of securitization products, but rather plays as the investor to earn stable income. The investment target products are mainly of the investment grade with higher security.</p> <p>(2) Securitization procedure: Before making investment, the bank evaluates the characteristics, credit rating, returns and risks of the products to understand the security, liquidity and profitability. Investment proposals should be submitted to the Board of Managing Directors for approval, and regularly review the exposure status on the investment targets.</p>
2. Securitization management organization and framework	The Bank does not act as the originating bank of any securitized products. The risks of positions invested are evaluated and reviewed by the investing unit and the Bank's risk management department periodically.
3. Scope and characteristics of securitization risk report and measuring system	In addition to observing the global economy and market interest rate change in connection with the investment on securitization products, regular evaluation and monitoring on risk and income are performed periodically and the results are submitted to Asset and Liability Management committee and the Board of Director.
4. Securitization hedging or risk reduction policies, and effective strategies and procedures for controlling risk	The relevant units shall review and control the securitized products periodically.

Analysis of the Financial Status and Operating Results & Risk Management

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

b. Status of Asset Securitization As of December 31, 2014

Type	Total issue amount	Outstanding balance	Amount repurchased
None			

c. Exposure & Capital Requirement of Asset Securitization As of December 31, 2014

In NT\$ thousand									
Type of exposure	Book Type	Type of exposure	Total		Capital requirement prior to securitization				
			Capital requirement (6) = (2) + (4)	101,010	0	101,010			
The role of bank		Type of exposure	Portfolio		Exposures (5) = (1) + (3)				
			Capital requirement (4)	0	0	0			
		Conventional	Exposures	Exposure	Held or Purchased (3)	0	0	0	
				Capital requirement (2)		101,010	0	101,010	
				Subtotal (1)		45,108,819	0	45,108,819	/
				The enhancement of credit provided		0	0	0	
				Liquidity facilities provided		0	0	0	
Held or Purchased		45,108,819	0	45,108,819					
Type of exposure		CMO		CMO					
The role of bank		Bank Book	Trade Book	Subtotal	Bank Book				
		Non-originating bank			Originating bank				

Analysis of the Financial Status and Operating Results & Risk Management

	Trade Book											
	Subtotal											
Total		CMO	45,108,819			45,108,819	101,010			45,108,819	101,010	

d. Information of Securitized commodities investment As of December 31, 2014

I. Summary of Investment in Securitized commodities

USD : NTD = 1 : 31.718

In NT\$ thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
CMO	Held-to-maturity financial assets	27,276	0	0	27,276
CMO	Non-active market debt instruments	45,048,743	0	103,260	44,945,483

Note: The above numbers do not include the amount of Interest Receivable.

II.

i. Information on Securitized commodities investment where the initial cost of a single investment is in excess of NT\$300 million (excluding those held by the Originator for the purpose of credit enhancement):

USD : NTD = 1 : 31.718

In NT\$ thousand

Name of Securities	Account (Note)	Currency	Issuer & Place	Purchase Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attachment Point	Details of Asset Pool
				Maturity Date									
Ginnie Mae CMO	Non-active market debt instruments	USD	Ginnie Mae	20101230-20141230	2.5%~5.5%	Moody's Aaa	Monthly	35,089,998	0	79,808	35,010,190		
Freddie CMO	Non-active market debt instruments	USD	Freddie Mac	20121030-20121226	3.0%~3.5%	Fitch AAA	Monthly	1,026,481	0	2,333	1,024,148	N/A	N/A
Fannie Mae CMO	Non-active market debt instruments	USD	Fannie Mae	20121030	3.0%	S&P AA+	Monthly	1,270,269	0	2,333	1,266,607		
				20180508									

Analysis of the Financial Status and Operating Results & Risk Management

ii. Securitized commodities held by the bank as the originator for the purpose of credit enhancement In NT\$ thousand

Name of Securities	Currency	Purchase Date	Maturity Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attachment Point	Details of Asset Pool
None												

iii. Bank acting as the buyer or liquidating buyer of the impaired assets of Securitized commodities In NT\$ thousand

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

III. Bank acting as the guarantor of, or the provider of liquidity facility for the Securitized commodities In NT\$ thousand

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

C. Operation Risk Management System and Capital Requirement

a. Operation Risk Management System

2014

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

Analysis of the Financial Status and Operating Results & Risk Management

Item	Risks
2. Operational risk management organization and framework	<ol style="list-style-type: none"> 1. Board of Directors: The top decision-making body of the Bank's operational risk management policy. Responsible for reviewing the Bank's operational risk management policy. 2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's operational risk management. 3. Risk Management Dept.: Responsible for examining the risk management mechanisms established by the respective business administration departments, performing risk control and the submitting the risk control report to the board of Directors regularly. 4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and supervising the performance of risk control of respective business unit. 5. All business units: Shall comply with the rules and regulations set forth by the Business Administration departments in daily operations.
3. Scope and characteristics of the operational risk reporting and measurement system	<ol style="list-style-type: none"> 1 The Bank adapts the "Guidelines for Collection of Operational Risk Information" and establishes the "Operational Risk Reporting System" for all departments to report any operational risk incident to the Risk Management Dept. 2 The Bank has put in place the "Operational Risk Indicators". Upon setting the control frequency and risk warning standards, the relevant departments are responsible for providing the risk indicator values based on the risk control frequency to the Risk Management Dept. Improvement measures are taken to address any risks that exceeded the set standards. 3 The Bank has adopted the "Guidelines for Operational Risk Control Self-Assessment" and established the "Operational Risk Control Self-Assessment" database to carry out the operational risk control self-assessment throughout the Bank periodically. 4 The Risk Management Dept. reports the status control of "Operational risk events", "Operational risk indicators" and "Operational risk control self-assessment" to the Assets and Liabilities Management Committee and Board of Directors on a regular basis.
4. Operational risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	<ol style="list-style-type: none"> 1. The Bank evaluates the frequency and level of influence with respect to operation risk confronted and adopts a series of risk reduction measures such as insurance, outsourcing operation, procedure improvement, personnel training enhancement, urgent response actions set up and risk hedging. 2. The Bank takes every possible operation risk into consideration and build up acceptable action measures while enacting operation manual for core products. In addition, External and internal auditing are the enhancements of operation risk prevention. 3. Risk Management Dept. informs Assets and Liabilities Management Committee about operation risk incidents collected quarterly and reports the Board of Director the operation risk control status of all business biannually.
5. Method used to provide the legal capital	Basic Indicator Approach.

b. Operation Risk Capital Requirement As of Dec.31, 2014

In NT\$ thousand

Analysis of the Financial Status and Operating Results & Risk Management

Year	Gross profit	Capital requirement
2012	7,693,634	
2013	8,470,659	
2014	8,724,693	
Total	24,889,186	1,244,459

D. Market Risk Management System and Capital Requirement

a. Market Risk Management System – 2014

Item	Contents
1. Market risk management strategies and procedures	<ol style="list-style-type: none"> 1. The Bank has enacted “UNION BANK market risk management principle” approved by the Board of Directors, as the basis for market risk management. 2. The management procedure of market risk management contains the following five processes: <ol style="list-style-type: none"> (1) Risk Identification: For items on/off the Balance Sheet, the bank identify the market risk factors of various products and investment business to evaluate the risk and define management procedure and control mechanism. (2) Risk Measurement: To cope with market risk quantification, there is at least one assessment tool for each investment or transaction. The assessment tools include mark-to-market, nominal principal, sensitivity analysis, value at risk and pressure test. (3) Risk Monitoring: Clearly define risk limits on relevant operation regulations for all business and monitor by frequency. Risk Management Dept. is in charge of the summarization and presentation of market risks for the Bank. (4) Risk Reporting: Risk Reporting is divided into routine reporting, overrun reporting and exceptional reporting. Routine reports are distributed to proper authorized level in accordance with the List of Separation of Duties; overrun reports should explain overrun status and suggest responsive measures; Exception reports are submitted by business unit before an event due to temporary business needs. (5) Risk reduction: Risk reduction procedures such as risk hedging, investment portfolio adjustment, position allocation, stop-loss and close new transactions.
2. Market risk management organization and framework	<ol style="list-style-type: none"> 1. Board of Directors: The top decision-making body of the Bank’s market risk management policy responsible for examining and approving the Bank’s market risk policy and the total risk limit targets for all businesses, and setting and modifying the Bank’s market risk management organization structure. 2. Asset and Liability Management Committee: Examine the management reports and information submitted by risk management department and the business units. 3. Risk Management Dept.: It is a dedicated independent risk management unit executing three pillars related operation of BASEL II market risk, planning and building market risk measuring tools, and monitoring according to the risk limits for different products. 4. Business Units: responsible for the execution of daily market risk management for the business they handle, and reporting the market risk and investment status related information to proper authorization level.

Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
3. Scope and characteristics of the market risk reporting and measurement system	1. Market Risk evaluated trading book position for various financial products and use fair market value or evaluation model as basis to regularly evaluate the profit/loss condition of the position held. 2. All business units and Risk Management Department should make relevant management reports regularly and submit to proper authorization level. 3. Market risk management system combine with front-desk trading position and middle desk evaluation to generate sufficient information for assisting all management levels to execute each individual risk monitoring task, and can support the capital calculation method selected by a bank to generate relevant internal and external reports as the basis for management decision-making.
4. Market risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	When market risk is excessive or the position limit or stop-loss limit has been exceeded, the bank will take following market risk reduction method: hedging, portfolio adjustment, position adjustment, square stop-loss and stop new transaction.
5. Method used to provide the legal capital	Standardized Approach.

b. Market Risk Capital Requirement

December 31, 2014

In NT\$ thousand

Type of risk	Capital requirement
Interest rate risk	260,780
Equity securities risk	934,764
Foreign exchange risk	181,005
Product risk	0
Total	1,376,549

E. Liquidity Risk Including the Analysis of Maturities of Assets and Liabilities, and Also Specify the Approach to Manage the Liquidity of Assets and Maturity Gap:

a. Maturity Analysis of NTD Assets and Liabilities

December 31, 2014

In NT\$ thousand

Item	Total	The amount of remaining period to maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Main capital inflow on maturity	418,547,928	69,111,153	67,763,637	18,241,065	37,960,366	58,060,030	167,411,677
Main capital outflow on maturity	523,943,968	29,054,409	39,845,035	64,337,213	76,586,325	130,924,133	183,196,853
Gap	-105,396,040	40,056,744	27,918,602	-46,096,148	-38,625,959	-72,864,103	-15,785,176

Note: The figures in above Table represent the New Taiwan Dollars (excluding foreign currency) assets and liabilities for Head Office, domestic branches and offshore offices.

Analysis of the Financial Status and Operating Results & Risk Management

b. Maturity Analysis of USD Assets and Liabilities December 31, 2014

In US\$ thousand

Item	Total	The amount of 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 figures in above Table represent the foreign currency (in USD equivalent) assets and liabilities for the Head Office, domestic branches and offshore offices.

c. Approach to Manage Assets and Liabilities

- i. The Bank's assets and liabilities management mechanism applies the asset and liability interest rate sensitivity and gap analysis for control purpose. Presently, the Bank has set up the Assets and Liabilities Management Committee to provide guidance and policy instruction and, to manage interest rate fluctuations and gaps. In addition to fully monitoring on interest rate, senior executive meetings are called from time to time as needed to exercise overall adjustment and review the Bank's asset and liabilities structure, and present result to the Committee for approval.
- ii. For the interest rate risk of NTD and foreign currencies, the Bank employ well-established trading and funding MIS to manage daily changes of deposit and loan amounts, as well as the cost and balance of deposits in various types and terms. In addition, it will produce the analysis of floating and fixed interest rate deposits and loans, the analysis of interest rate sensitivity and the analysis of interest rate spread. The Bank will utilize above mentioned information and analyses to set up strategies for interest rate adjustment.
- iii. For foreign exchange risk, the Bank has designed independent and related procedures for transaction settlement, and has also applied the position control, individual trader position control and stop-loss control etc.
- iv. For liquidity risk, the Bank strictly monitor cash on hands and the movement of deposits and loans every day. Meanwhile, the Bank has also launched the mechanism to forecast, measure, calculate and early warning for future needs and changes of funding so as to realize current assets to meet the needs.

(2) Domestic and Global Changes in Government Policies and Legal Environment, and the Effect on the Financial and Operational Status of the Bank, and Response Actions thereof:

- A. For the Foreign Account Tax Compliance Act ("FATCA") promulgated by the U.S.A., the Bank has signed a foreign financial institution agreement with IRS under the planning of the consultant, KPMG, and became a participating foreign financial institution (PFFI), in order to reduce the impact to be brought by FATCA to the

Analysis of the Financial Status and Operating Results & Risk Management

Bank's business. Further, in order to provide IRS with the information about the US accounts and recalcitrant accounts, the Bank's information system has been amended.

- B. With respect to the Personal Information Protection Act and its enforcement rules, the Bank has increased the related internal control human resource and operating cost to fulfill the duty to inform and the exercising of rights of the concerned party. In addition, in response to the Regulations Governing the Protection of the Security of Personal Information File of Non-public Sector Organizations Designated by the Financial Supervisory Commission, the Bank has established the organization dedicated to managing protection of personal information took an inventory of all personal information files retained by various units, created personal information file list, proceed with personal information risk evaluation and analysis, and enact or amend the related internal regulations to reduce the risk over disclosure of personal information and damages caused therefore.
- C. In response to the Financial Consumer Protection Act, the Bank will have various business departments/offices review, respond to, and also enhance the training on, the amended laws and regulations. Meanwhile, in response to the competent authority's attitude toward opening of financial instruments and enhancement of bank risk management and customers' interest and right protection, the Bank will strengthen the control over KYC and compliance with the sale process to avoid dispute over consumer banking.
- D. Financial Supervisory Commission ("FSC") demanded that for issuers who execute the long-term evolving credit card holder conversion mechanism, the "percentage of converted accounts" or "percentage of converted amount" shall attain 20% or more by the end of 2014. Until the end of December 2014, the Bank's percentage of converted accounts was 20.34% (a total of 7,115 accounts, NT\$342 million), which met the FSC's requirement.
- E. FSC demanded that issuers should cut the revolving credit interest rate applicable to the "credit card holders who have made repayment and had fair credit record in the most recent year" to 16% or below, as of October 1, 2014. Therefore, the Bank is expected to cut the interest rate applicable to about 60,000 credit card holders of the Bank to 16% or below and thereby result in decrease of the interest revenue by about NT\$6,750 thousand in 2014.
- F. In order to boost well-founded finance and fulfill the tax system reform for fair taxation, the Government has increased the business tax rate applicable to the sales of "the banking, insurance business engaged in banking concurrently, and insurance business" from 2% to 5% as of July 1, 2014. As a result, the taxation increased by about NT\$148 million in 2014.
- G. In order to enhance banks' ability to recover short-term liquidity and measure whether banks own sufficient qualified high-quality current assets to meet the cash outflow need for next 30 days under the scenario of pressure, FSC and Central Bank set forth the "Standards Implementing the Liquidity Coverage Ratio of Banks" and also promulgated the "Notes to Calculation of Liquidity Coverage Ratio and Form". Said standards are scheduled to be enforced as of January 1, 2015. The Bank's liquidity coverage ratio calculated per the standards is 219.32%, higher than the minimum requirement (60%) in 2015. Therefore, it is not necessary for the Bank to take any response actions preliminarily.

Analysis of the Financial Status and Operating Results & Risk Management

- (3) The Effect of Technological and Industrial Changes on the Bank's Financial Position and its Response Actions thereof: None.
- (4) The effect of change in the Bank's corporate image on the Bank and its response actions:
Adhering to the sustainable management philosophy for "Passion, Stability, Efficiency, Innovation", the Bank insists on developing the local financial market thoroughly and soundly. In 2014, the Bank continued releasing the Bank's image advertisement, "A Business Manager's Story", which tells the true story about how a business manager of the Bank encouraged customers to manage wealth with petty cash fund, in order to boost the Bank's service image primarily and then upgrade the Bank's corporate identity for "Savings and Simple Happiness". Meanwhile, the Bank has carried out its principal business, finance, diligently and also continued promoting the common art & cultural practices among nationals and feeding back to the society through public welfare activities. The Bank sponsored "Union Bank of Taiwan Foundation" to organize artistic competitions each year to pass on the local arts & cultures of Taiwan, and child painting contests and child wealth management experiencing camp to root and cultivate the elite seeds for Taiwan through some activities, and the "Union Bank of Taiwan's Sharing of Love and Happy Gifts" event, on a regular basis, to support farmers in Taiwan physically. In the future, the Bank will still take the philosophy for "develop locally and strive for happiness" as the first priority and achieve more excellent performance in financial business. Meanwhile, the Bank will continue to feed back to the society to extend happiness to everyone limitlessly.
To effectively control communication quality with the media and avoid improper handling of public relation crisis that may impact the Bank's corporate identity, the Bank has implemented the spokesperson mechanism and set "Union Bank of Taiwan Operation Crisis Counter Measures" and "Internal significant information handling procedures". Once there is incident damaging the corporate identity, the system will notify the relevant units according to notification SOP (standard operating procedure). The spokesperson is solely responsible for answering questions and making statements to the public to prevent damage from spreading, and effectively protect the Bank's goodwill and brand image.
- (5) Expected Result and Possible Risks of Mergers and Acquisitions and Response Actions thereof: None
- (6) Expected Result for Establishing More Business Locations, Possible Risk and Response Actions Thereof:
The establishment of business unit will not only increase transaction volume of deposits/loans/wealth management but also improve profits as well as provide comprehensive services to our customers. Effectively nevertheless, there is possibility that the economy of scale may not be achieved due to poor branch location or the business activities may be below our expectation. The Bank will then access the needs for relocation.
- (7) Risk in the Over Concentration of Business and Response Action thereof:
When business is concentrated, it could easily make business income source

Analysis of the Financial Status and Operating Results & Risk Management

over-concentrated in one single industry or single customer group. It is vulnerable to industry cycle and could heighten the risks borne by the Bank. The Bank's current credit and investment related business are all based on and executed within the internal quota policy. The Bank has set regulations such as "Credit/Market Risk Management Guideline", "Regulations governing the Management of Enterprise Group Credit Risk", "Foreign Currency Security Investment Processing Guideline", "Foreign Currency Credit and Country Risk Management Approach", and "Investment Policy" to strengthen the management of risk quota for all business.

The Bank's Risk Management Department also monitors credit quota, controls status and reports the credit concentration regularly to Asset and Liability Management Committee and the Board of Directors.

- (8) The Effect of Change in the Management of the Bank, Possible Risk and Response Action Thereof: The Bank was founded with the mission for sustainable operation. We maintain the management concepts of "Enthusiasm", "Stability", "Efficiency" and "Innovation" to provide financial products and services that meet the needs of customers and to service the general public. The Bank employs professional managerial officers to manage the businesses and as such, the Bank's business management will not change or be impacted significantly as a result of changes in management power. The Bank shall provide the relevant internal management information and enhance the transparency of information disclosure in the event of a change in management power in order to secure investor and consumer confidence.
- (9) The effect that large transfer in shares of director or supervisor, or shareholders holding more than ten percent of shares of the company, Possible Risk and Response Action:
There has been no significant change in share ownership of the Bank's shareholders, directors and supervisors. The Bank employs professional managerial officers to manage the Bank's business. Therefore, the Bank's operational management will not be impacted as a result of a significant change in share ownership. The Bank shall ensure information transparency in the event of a significant transfer or change in share ownership and files a declaration and makes public announcement with respect to the changes in accordance with the relevant banking regulations to secure investor and consumer confidence.
- (10) Legal Actions and Non-contentious Matters: None.
- (11) Other Major Risks and Response Actions thereof: None.

7. Contingency Plan

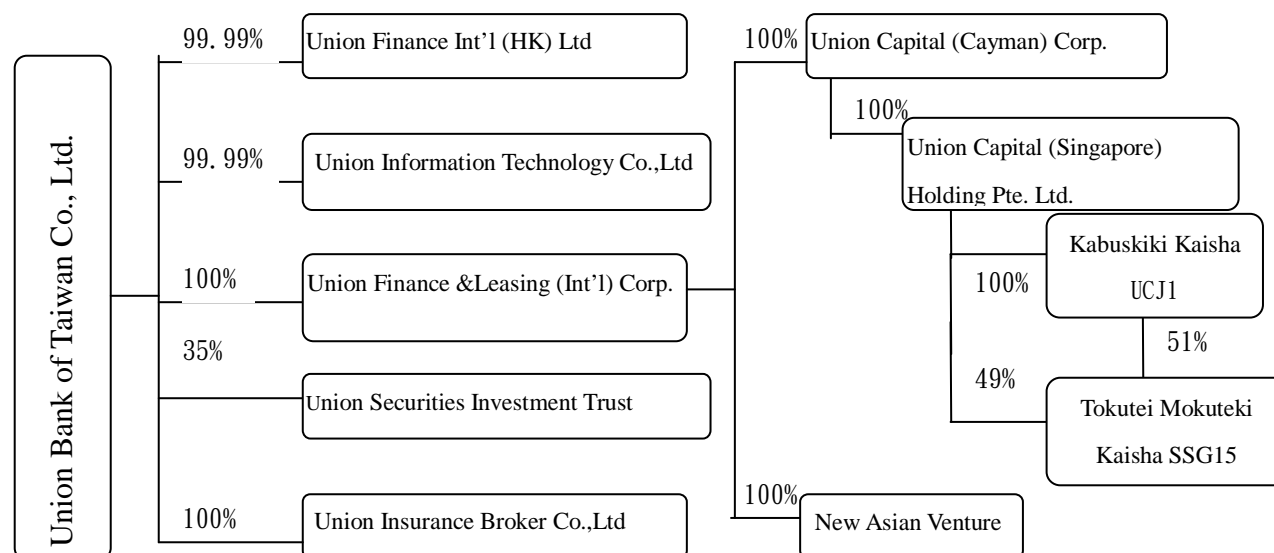
The Bank has enacted the "Essential Points for Urgent Response Action to Disasters" and has set up a crisis management taskforce, urgent contact and report mechanism to execute the disaster rescue measures effectively. The various business units shall perform the disaster education training and drill in accordance with the Bank's "Instructions to Safety Protection" and "Safety Protection Drill Implementation Plan", and shall also check and maintain the safety facilities more than twice a year.

8. Other Important Matters: None

Affiliated and Special Notes

1. Information on Affiliated Enterprises

(1) Organization Chart Shareholding(%)



Amount in NT\$ thousand

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business or Production Activities
Union Finance International (HK) Ltd	1996.04.23	Unit 18, 35/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong	106,589	Import and export financing
Union Information Technology Co., Ltd.	1998.08.10	10F, No. 109, Sec. 3, Minsheng E. Road, Taipei, Taiwan	10,000	Distribution of computer hardware and software, development of system programs, outsourcing of system construction, website design and e-commerce services
Union Finance & Leasing (Int'l) Co., Ltd.	1996.11.11	9F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	830,000	Installment purchases, leasing, auto loan and car rental business
Union Securities Investment Trust Co., Ltd.	1998.12.22	6F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	300,000	Securities investment trust
Union Insurance Broker Co., Ltd.	1997.08.04	3F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	5,000	Life insurance agency, Property insurance agency
Union Capital (Cayman) Corp.	1997.07.23	P.O.Box 1034, George Town, Grand Cayman, Cayman Islands, British West Indies.	1,644	Installment purchase and lease investment businesses
New Asian Ventures Ltd.	1997.10.27	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	1	Installment purchase and lease investment businesses
Union Capital (Singapore) Holding Pte. Ltd.	2014.9.12	50 RAFFLES PLACE #25-03 SINGAPORE LAND TOWER SINGAPORE (048623)	-	Lease investment businesses °
Kabuskiki Kaisha UCJ1	2014.9.12	1 Chome 11, Kanda Jinbocho, Chiyoda, Tokyo, Japan	122,497	Lease investment businesses °

Affiliated and Special Notes

Tokutei Mokuteki Kaisha SSG15	2014.9.19	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	960,551	Lease investment businesses ◦
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(2) Information on Directors, Supervisors and President of Affiliated Enterprises

December 31, 2014

Name of Enterprise	Title	Name of Representative	Shareholding	
			Shares	%
Union Finance International (HK) Ltd	Director	Union Bank of Taiwan (Representative: Jeff Lin)	30,000,000	99.999994%
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)	2	0.000006%
	Director	Union Bank of Taiwan (Representative: Cheng-Yu Liu)	-	0.00%
	Director	Union Bank of Taiwan (Representative: Connie Tseng)	-	0.00%
	Director & President	Union Bank of Taiwan (Representative: Amanda Lin)	-	0.00%
Union Information Technology Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Angela Shen)	999,923	99.99%
	Director	Union Bank of Taiwan (Representative: Cheng-Yu Liu)		
	Director	Union Bank of Taiwan (Representative: Luke Yang)		
	Supervisor	Union Bank of Taiwan (Representative: Terrence Lin)		
	President	Angela Shen	-	0.00%
Union Securities Investment Trust Co., Ltd.	Chairman	Kun-Che Investment Co., Ltd. (Representative: Ming-Hsing Ho)	5,399,667	17.99%
	Director	Kun-Che Investment Co., Ltd. (Representative: Wen-Ming Lee)		
	Director	Kun-Che Investment Co., Ltd. (Representative: Ti-Mao Lee)		
	Supervisor	Kun-Che Investment Co., Ltd. (Representative: Chao-Hsuan Tsai))		
	President	Lin-Yu Fan	-	0.00%
Union Finance & Leasing (International) Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Wei-Shin Shen)	83,000,000	100.00%
	Director	Union Bank of Taiwan (Representative: Herman Tu)		
	Director	Union Bank of Taiwan (Representative: Cheng-Juh Hsieh)		
	Supervisor	Union Bank of Taiwan (Representative: Yin-Bor Chan)		
	President	Wei-Shin Shen	-	0.00%
Union Insurance Broker Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Chun-Hsien Chang)	500,000	100.00%
	Director	Union Bank of Taiwan (Representative: Terrence Lin)		
	Director	Union Bank of Taiwan (Representative: Sophie Hsu)		
	Supervisor	Union Bank of Taiwan Co., Ltd. (Representative: Kuo-Shian Shia)		
	President	Chun-Hsien Chang	-	0.00%
Union Capital (Cayman) Corp	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Wei-Shin Shen)	50,000	100.00%
	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)		
New Asian Ventures Ltd.	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Wei-Shin Shen)	1	100.00%
	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)		
Union Capital (Singapore)Holding Pte. Ltd.	Director	Union Capital (Cayman) Corp (Representative: Wei-Shin Shen)	0	0
	Director	Ru-Jwu Tsai	0	0
Kabuskiki Kaisha UCJ1	Director	Union Finance Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	9	100%
Tokutei Mokuteki Kaisha SSG15	Director	Union Finance Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	35,575	49%
	Director	Kabuskiki Kaisha UCJ1 (Representative: Cheng-Juh Hsieh)	37,026	51%

Affiliated and Special Notes

(3) General Information of Affiliated Enterprises

December 31, 2014 In NT\$ thousand except Earnings Per Share (NT\$)

Name of Enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit	Net Income (Loss) After Tax	Earnings Per Share After-tax (\$)
Union Finance International (H.K.) Ltd. <small>Note 1</small>	122,692	327,102	245,834	81,267	7,619	(8,478)	1,699	0.14
Union Information Technology Co., Ltd.	10,000	83,293	66,824	16,469	130,179	5,586	9,289	9.29
Union Finance & Leasing (International) Co., Ltd.	830,000	8,969,466	6,675,124	2,294,342	2,034,495	151,491	122,329	1.47
Union Securities Investment Trust Co., Ltd.	300,000	436,519	22,750	413,769	146,507	33,596	45,676	1.52
Union Insurance Broker Co., Ltd.	5,000	39,284	14,029	25,255	854,461	12,621	10,731	21.46
Union Capital (Cayman) Corp.	1,552	965,938	501,198	464,740	2,817	(1,225)	(5,619)	-
New Asian Ventures Ltd.	1	80,006	20	79,986	150	79	952	952.00

Note : HKD/TWD:4.089743 HKD/SGD:3.923160

JPY/TWD:0.265134 JPY/SGD:0.269970

(4) Relationships between the business activities conducted by affiliated enterprises: please refer to Page 145 to Page 147.

2. **Private placement of marketable securities and financial debentures in the past year and current year up to the printing date of the annual report:** None.
3. **Shares of the Bank held or disposed of by subsidiaries in the past year and current year up to the printing date of the annual report:** None.
4. **Other necessary supplements:** None.
5. **In the past year and current year up to the printing date of the annual report, any event which has a material impact on shareholders' equity or securities prices pursuant to Article 36.2.2 of the Security and Exchange Law:** None.

Bank Directory

Bank Directory

Branch Name	Address	Telephone
Head Office	3F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
International Banking Dept	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Trust Department	3F, No.137, Sec. 2, Nanjing E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2507-4066
Credit & Payment Dept.	5F, No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taipei City 105, Taiwan (R.O.C.)	(02)2545-5168
Offshore Banking Branch	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Business Department	No.105, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02)2556-8500
Taipei Branch	1F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Changchun Branch	No.328, Changchun Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2545-5588
Nanking East Road Branch	No.137, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2515-1333
East Taipei Branch	No.217, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2753-0900
Chunghsiao Branch	2F., No.5, Lane 223, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2773-3456
Jenai Branch	No.179, Yanji St., Da'an District, Taipei City 106, Taiwan (R.O.C.)	(02)2781-3366
Tungmen Branch	No.101, Sec. 2, Sinyi Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2358-2345
Hoping Branch	No.68-2, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2735-2828
Chungshan Mini Branch	No.83, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2571-7890
Kungkuan Branch	No.272, Sec. 3, Roosevelt Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2369-2678
Sungchiang Branch	No.228, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2561-6601
Breeze Center Mini Branch	2F., No.39, Sec. 1, Fusing S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)8772-2858
Tunhwa Branch	No.209-1, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)8773-3588
Taan Branch	No.165, Sec. 4, Hsin-I. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2704-9588
Tonghwa Mini Branch	No.74, Tonghua St., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2739-5888
Yongchun Branch	No.453, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2748-0188
Yungchi Branch	No.306, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2748-0329
Neihu branch	No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2658-6121

Bank Directory

Branch Name	Address	Telephone
Donghu Branch	No.150-3, Sec. 6, Minguang E. Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)-2796-7779
Hsihu Branch	No.88, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)8797-1537
Tachih Branch	No.649, Mingshuei Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2532-3836
Shihlung Branch	No.9, Lane 91, Shihdong Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2875-6161
Wenlin Branch	No.758, Wunlin Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2835-1818
Beitou Mini Branch	No.68, Sec. 1, Jhongyang N. Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	(02)2896-6333
Panchiao Branch	No.226, Mincyuan Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2965-6600
Houpu Branch	No.77, Chongcing Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2964-2777
Sanchung Branch	No.10, Sec. 3, Chongsin Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	(02)2977-7666
North Sanchung Branch	No.245, Jhengyi N. Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	(02)2982-6226
Tenshin Branch	No.16, Sec. 3, Jhongsiao Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	(02)8982-1155
JiSian Branch	No.329, Wuhua St., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	(02)2855-9996
Sanxia Branch	No.261、263, Xuecheng Rd., Sanxia Dist., New Taipei City 237, Taiwan (R.O.C.)	(02)2673-0808
Luchou Branch	No.80, Jhongjheng Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	(02)2848-5577
Chungho Branch	No.150, Jian 1st Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.)	(02)8226-5168
North Chungho Mini Branch	No.122, Sec. 3, Jhongshan Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.)	(02)2221-9698
Shuanho Branch	No.222, Jhongjheng Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	(02)2945-9898
Yunghe Branch	No.137, Sec. 2, Yonghe Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	(02)8660-0808
Hsintien Branch	No.100, Mincyuan Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	(02)2219-9989
Ankang Branch	No.161, Sec. 2, Ankang Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	(02)2211-9088
Hsinchung Branch	No.601, Sihyuan Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)8522-7799
Fuguo Branch	No.108, Fuguo Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2205-2299
Chungkung Mini Branch	No.308, Jhonggang Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2276-9678
Wugu Branch	No.6-1, Sec.3, Chengtai Rd., Wugu District, New Taipei City 248, Taiwan (R.O.C.)	(02)2291-5888
Linkou Branch	No.468, Jhongsiao Rd., Linkou District, New Taipei City 244, Taiwan (R.O.C.)	(02)2600-6969

Bank Directory

Branch Name	Address	Telephone
Shulin Branch	No.275, Jhonghua Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	(02)8685-8939
Hsichih Branch	No.159, Sec. 1, Sintai 5th Rd., Sijhih District, New Taipei City 221, Taiwan (R.O.C.)	(02)8642-5289
Tucheng Branch	No.3, Chengtian Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2268-1799
Taoyuan Branch	No.332, Sianfu Rd., Taoyuan District City, Taoyuan City 330, Taiwan (R.O.C.)	(03)339-5300
North Taoyuan Branch	No.191, Yong-an Rd., Taoyuan District City, Taoyuan City 330, Taiwan (R.O.C.)	(03)339-6262
South Taoyuan Branch	Building A, No.1308, Zhongshan Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)369-7388
Taoying Branch	No.343, Taoying Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)377-9797
Daye Branch	No.388, Sec. 1, Daye Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)357-7388
Chungli Branch	No.62, Sec. 1, Jhongyang W. Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)426-5111
North Chungli Branch	No.222, Yuanhua Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)426-1133
Neili Branch	No. 258, Sec. 1, Jhonghua Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)435-1288
Chenshin Branch	No.189, Jianxing Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)428-0808
Gaorong Branch	No.226, Sec. 5, Minzu Rd., Zhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)490-9777
Nankan Branch	No.137, Jhongjheng Rd., Lujhu District, Taoyuan City 338, Taiwan (R.O.C.)	(03)322-9699
Dajhu Branch	No.43, Dasin Rd., Lujhu District, Taoyuan City 338, Taiwan (R.O.C.)	(03)313-4688
Luzhu Branch	No.3, Sec. 1, Ren'ai Rd., Luzhu District, Taoyuan City 338, Taiwan (R.O.C.)	(03)222-1389
Hueilong Branch	No.253, Sec. 1, Wanshou Rd., Gueishan District, Taoyuan City 333, Taiwan (R.O.C.)	(02)8209-0808
Gueishan Branch	No.688, Sec. 2, Wanshou Rd., Gueishan District, Taoyuan City 333, Taiwan (R.O.C.)	(03)319-2323
Lungtan Branch	No.245, Jhongjheng Rd., Longtan District, Taoyuan City 325, Taiwan (R.O.C.)	(03)470-9188
Tayuan Branch	No.56, Jhongjheng E. Rd., Dayuan District, Taoyuan City 337, Taiwan (R.O.C.)	(03)385-0505
Hsinchu Branch	No.107, Jhongjheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)524-9966
Taichung Branch	No.9-5, Sec.2, Taiwan Blvd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2328-5666
North Taichung Branch	No.13, Sec. 3, Wunsin Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2311-8555
Wenhsin Branch	No.208-1, Sec. 4, Wunsin Rd., North District, Taichung City 404, Taiwan (R.O.C.)	(04)2298-0808
Beitun Branch	No.701, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04)2245-2636

Bank Directory

Branch Name	Address	Telephone
Minchuan Branch	No.135, Mincyuan Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04)2220-6789
Hsitun Branch	No.277, Sec. 2, Situn Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2702-2152
Singchung Branch	No.406, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan (R.O.C.)	(04)2261-4040
Fongyuan Branch	No.102, Fucian St., Fongyuan District, Taichung County 420, Taiwan (R.O.C.)	(04)2522-8800
Yuanlin Branch	No.785, Sec. 1, Jhongshan Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04)834-7666
South Yuanlin Branch	No.37, Sanmin St., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04)832-6388
Chiayi Branch	No.285, Jhongshan Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)228-5908
East Chiayi Branch	No.372-1, Gongming Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)229-3922
Tainan Branch	No.271, Sec. 4, Simen Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)251-3377
Fucheng Branch	No.92, Jhongjheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	(06)229-0866
Fuchiang Branch	No.15, Sec. 3, Dongmen Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)260-1268
Kaiyuan Branch	No.229, Kaiyuan Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)235-4445
South Tainan Branch	No.379, Sec. 1, Jinhua Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06)265-5663
Kaohsiung Branch	No.204, Guanghua 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)226-5353
Lingya Branch	No.30, Sihwei 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)338-6033
Sanmin Branch	No.73, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)389-0258
Chiuju Branch	No.495, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)311-8871
North Kaohsiung Branch	No.548, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)322-3699
Fengshan Branch	No.224, Kaisyuan Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	(07)763-8185
Wuchia Branch	No.173, Nanhua Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	(07)721-5866
Pingtung Branch	No.172, Minzu Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08)732-6777
Ho Chi Minh Representative Office	12F.,8 Nguyen Hue Str., Dist.1, Ho Chi Minh City, Vietnam	(848)3825-0407
Hong Kong Representative Office	Unit 18, 35/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong	(852)2521-1678

Union Bank of Taiwan

**Financial Statements for the
Years Ended December 31, 2014 and 2013 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, 2014 and 2013, 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 Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2014 and 2013, 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 and other regulations.

March 18, 2015

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, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 9,476,656	2	\$ 7,693,960	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	67,260,453	14	70,874,052	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	18,373,136	4	9,863,257	2
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	26,350,581	5	20,230,519	5
RECEIVABLES, NET (Notes 4, 5, 10, 12 and 40)	14,678,252	3	13,742,618	3
CURRENT TAX ASSETS (Notes 4 and 38)	326,786	-	160,660	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 40)	257,632,121	54	230,142,592	53
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 5, 13 and 40)	13,699,485	3	8,500,192	2
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 5 and 14)	521,266	-	428,017	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 15)	2,616,318	1	2,567,706	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 16 and 41)	56,639,357	12	57,830,216	13
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	7,722,206	2	7,630,976	2
INTANGIBLE ASSETS (Note 4)				
Goodwill (Notes 5 and 18)	1,985,307	-	1,985,307	-
Computer software	<u>60,891</u>	<u>-</u>	<u>59,559</u>	<u>-</u>
Total intangible assets	2,046,198	-	2,044,866	-
DEFERRED TAX ASSETS (Notes 4, 5 and 38)	2,245,936	-	2,826,055	1
OTHER ASSETS, NET (Notes 4, 19, 40 and 42)	<u>1,962,732</u>	<u>-</u>	<u>1,925,098</u>	<u>-</u>
TOTAL	<u>\$ 481,551,483</u>	<u>100</u>	<u>\$ 436,460,784</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and other banks (Note 20)	\$ 6,164,744	1	\$ 4,924,611	1
Financial liabilities at fair value through profit or loss (Notes 4 and 8)	211,084	-	16,006	-
Securities sold under agreements to repurchase (Notes 4 and 21)	31,791,276	7	24,582,657	5
Accounts payable (Note 22)	5,456,071	1	4,168,148	1
Deposits (Notes 23 and 40)	396,410,432	82	365,120,161	84
Bank debentures (Note 24)	7,400,000	2	7,400,000	2
Other financial liabilities (Note 25)	18,928	-	201,858	-
Provisions (Notes 4, 12 and 26)	942,785	-	752,628	-
Deferred tax liabilities (Notes 4, 5 and 38)	699,730	-	556,558	-
Other liabilities (Notes 28, 40 and 42)	<u>418,311</u>	<u>-</u>	<u>314,825</u>	<u>-</u>
Total liabilities	<u>449,513,361</u>	<u>93</u>	<u>408,037,452</u>	<u>93</u>
EQUITY				
Capital stock				
Common stock	<u>24,509,306</u>	<u>5</u>	<u>22,165,251</u>	<u>5</u>
Capital surplus	<u>33,006</u>	<u>-</u>	<u>34,288</u>	<u>-</u>
Retained earnings				
Legal reserve	2,522,768	-	1,685,037	1
Special reserve	558,842	-	914,439	-
Unappropriated earnings	<u>3,045,300</u>	<u>1</u>	<u>2,792,439</u>	<u>1</u>
Total retained earnings	<u>6,126,910</u>	<u>1</u>	<u>5,391,915</u>	<u>2</u>
Other equity	<u>1,368,900</u>	<u>1</u>	<u>831,878</u>	<u>-</u>
Total equity	<u>32,038,122</u>	<u>7</u>	<u>28,423,332</u>	<u>7</u>
TOTAL	<u>\$ 481,551,483</u>	<u>100</u>	<u>\$ 436,460,784</u>	<u>100</u>

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, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INTEREST (Notes 4, 30 and 40)					
Interest revenues	\$ 9,707,194	110	\$ 9,271,343	109	5
Interest expenses	<u>3,681,523</u>	<u>42</u>	<u>3,350,022</u>	<u>39</u>	10
Net interest	<u>6,025,671</u>	<u>68</u>	<u>5,921,321</u>	<u>70</u>	2
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4, 31 and 40)	1,954,099	22	1,664,374	20	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 32)	310,739	3	678,127	8	(54)
Realized gain (loss) from available-for-sale financial assets, net (Notes 4 and 33)	147,797	2	(86,181)	(1)	271
Investment gain recognized under the equity method (Note 4)	153,314	2	197,750	2	(22)
Foreign exchange gain (loss), net (Note 4)	205,885	2	(208,378)	(3)	199
Reversal of asset impairments (Notes 4 and 34)	-	-	120,187	1	(100)
Gain on disposal of collaterals assumed, net	-	-	10,353	-	(100)
Securities brokerage fee revenues, net (Note 40)	67,461	1	54,181	1	25
Gain on unquoted equity investments, net	49,990	1	49,025	1	2
Property gain (loss), net	(1,814)	-	2,255	-	(180)
Other noninterest net gains (losses)	<u>(63,627)</u>	<u>(1)</u>	<u>76,142</u>	<u>1</u>	(184)
Total net revenues other than interest	<u>2,823,844</u>	<u>32</u>	<u>2,557,835</u>	<u>30</u>	10
TOTAL NET REVENUES	<u>8,849,515</u>	<u>100</u>	<u>8,479,156</u>	<u>100</u>	4
PROVISIONS (Notes 4 and 12)					
Reversal of allowance for doubtful accounts	<u>(494,806)</u>	<u>(6)</u>	<u>(95,890)</u>	<u>(1)</u>	416

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES					
Personnel expenses (Notes 4 and 35)	\$ 2,743,129	31	\$ 2,621,626	31	5
Depreciation and amortization (Notes 4 and 36)	203,904	2	208,651	3	(2)
Others (Notes 37 and 40)	<u>2,721,734</u>	<u>31</u>	<u>2,405,987</u>	<u>28</u>	13
Total operating expenses	<u>5,668,767</u>	<u>64</u>	<u>5,236,264</u>	<u>62</u>	8
INCOME BEFORE INCOME TAX	3,675,554	42	3,338,782	39	10
INCOME TAX EXPENSE (Notes 4, 5 and 38)	<u>581,759</u>	<u>7</u>	<u>470,891</u>	<u>5</u>	24
CONSOLIDATED NET INCOME	<u>3,093,795</u>	<u>35</u>	<u>2,867,891</u>	<u>34</u>	8
OTHER COMPREHENSIVE INCOME					
Exchange differences on translating foreign operations	560,226	6	251,127	3	123
Unrealized gain on available-for-sale financial assets	224,145	3	692,783	8	(68)
Share of other comprehensive income of subsidiaries and associates	(87,257)	(1)	13,801	-	(732)
Actuarial loss arising on defined benefit plans (Notes 4 and 27)	(72,868)	(1)	(12,504)	-	483
Income tax on the components of other comprehensive expense (Note 38)	<u>(154,041)</u>	<u>(2)</u>	<u>(258,580)</u>	<u>(3)</u>	(40)
Other comprehensive income for the year, net of income tax	<u>470,205</u>	<u>5</u>	<u>686,627</u>	<u>8</u>	(32)
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,564,000</u>	<u>40</u>	<u>\$ 3,554,518</u>	<u>42</u>	-
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)					
Basic	<u>\$ 1.26</u>		<u>\$ 1.18</u>		
Diluted	<u>\$ 1.26</u>		<u>\$ 1.17</u>		

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

(Concluded)

UNION BANK OF TAIWAN

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)**

	Capital Stock (Note 29)			Share Capital	Retained Earnings (Notes 4 and 29)				Other Equity (Notes 4 and 29)		Total	Total Equity
	Common Stock	Preferred Stock	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations		
BALANCE AT JANUARY 1, 2013	\$ 20,060,202	\$ 204,194	\$ 20,264,396	\$ 32,413	\$ 900,963	\$ 608,209	\$ 3,064,835	\$ 4,574,007	\$ 413,490	\$ (278,935)	\$ 134,555	\$ 25,005,371
Special reserve carried with Rule No. 1010012865 issued by the Financial Supervisory Commission	-	-	-	-	-	507,984	(507,984)	-	-	-	-	-
Appropriation of the 2012 earnings												
Legal reserve	-	-	-	-	784,074	-	(784,074)	-	-	-	-	-
Cash dividends on preferred shares	-	-	-	-	-	-	(181,042)	(181,042)	-	-	-	(181,042)
Stock dividends on common shares	1,839,520	-	1,839,520	-	-	-	(1,839,520)	(1,839,520)	-	-	-	-
Stock dividends on preferred shares	18,725	-	18,725	-	-	-	(18,725)	(18,725)	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(201,754)	201,754	-	-	-	-	-
Net income for the for the year ended December 31, 2013	-	-	-	-	-	-	2,867,891	2,867,891	-	-	-	2,867,891
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	(10,696)	(10,696)	496,017	201,306	697,323	686,627
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	2,857,195	2,857,195	496,017	201,306	697,323	3,554,518
Conversion of preferred stock	204,194	(204,194)	-	-	-	-	-	-	-	-	-	-
Share-based payment	42,610	-	42,610	1,875	-	-	-	-	-	-	-	44,485
BALANCE AT DECEMBER 31, 2013	22,165,251	-	22,165,251	34,288	1,685,037	914,439	2,792,439	5,391,915	909,507	(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)	(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	-	61,034	(1,282)	-	-	-	-	-	-	-	59,752
BALANCE AT DECEMBER 31, 2014	\$ 24,509,306	\$ -	\$ 24,509,306	\$ 33,006	\$ 2,522,768	\$ 558,842	\$ 3,045,300	\$ 6,126,910	\$ 1,029,647	\$ 339,253	\$ 1,368,900	\$ 32,038,122

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, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,675,554	\$ 3,338,782
Adjustments for:		
Depreciation expenses	170,911	168,384
Amortization expenses	32,993	40,267
Gain on reversal of allowance for doubtful accounts	(494,806)	(95,890)
Net gain on disposal of financial assets designated as at fair value through profit or loss	(310,739)	(678,127)
Interest expenses	3,681,523	3,350,022
Interest revenues	(9,707,194)	(9,271,343)
Dividend income	(87,464)	(77,149)
Share of profit of subsidiaries and associates	(153,314)	(197,750)
Loss (gain) on disposal of properties	1,814	(2,255)
Gain (loss) on disposal of investments	(110,320)	114,305
Reversal of impairment losses on nonfinancial asset	-	(51,593)
Reversal of impairment loss recognized on financial assets	-	(68,594)
Loss on disposal of distressed debt	65,897	-
Gain on disposal of collaterals	-	(10,353)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans banks	(386,401)	(3,495,138)
Increase in financial assets at fair value through profit or loss	(6,423,256)	(2,433,626)
Decrease (increase) in accounts receivable	(780,117)	512,562
Increase in discounts and loans	(27,256,804)	(28,373,615)
Decrease (increase) in available-for-sale financial assets	(4,864,527)	2,315,443
Increase in other financial assets	(2,231,324)	(3,695,447)
Increase (decrease) in due to the Central Bank and other banks	1,240,133	(190,826)
Increase (decrease) in financial liabilities at fair value through profit or loss	(1,655,522)	298,333
Increase (decrease) in securities sold under repurchase agreements	7,208,619	(3,706,692)
Increase (decrease) in accounts payable	1,328,884	(2,247,667)
Increase in deposits	31,290,271	27,721,025
Decrease in other financial liabilities	(182,930)	(104,534)
Increase (decrease) in provisions for employee benefits	7,440	(26,661)
Cash used in operations	(5,940,679)	(16,868,137)
Interest received	9,700,672	9,330,915
Dividend received	119,996	267,481
Interest paid	(3,662,732)	(3,471,032)
Income tax paid	(178,635)	(88,298)
Net cash generated from (used in) operating activities	<u>38,622</u>	<u>(10,829,071)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in financial assets designated as at fair value through profit or loss	72,367	1,033,116
Acquisition of debt instruments with no active market	(5,686,328)	(29,391,008)

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Return of capital on debt instruments with no active market	\$ 9,274,723	\$ 24,850,343
Purchase of held-to-maturity financial assets	(360,837)	(205,667)
Return of capital on held-to-maturity financial assets	264,962	614,805
Purchase of financial assets measured at cost	(6,000)	-
Proceeds from disposal of financial assets measured at cost	8,884	-
Return of capital on financial assets carried at cost	-	34,663
Payments for properties	(242,469)	(107,920)
Proceeds of the disposal of properties	95	17,628
Increase in settlement fund	(845)	-
Decrease in settlement fund	-	1,228
Increase in refundable deposits	(74,762)	-
Decrease in refundable deposits	-	163,314
Payments for intangible assets	(31,056)	(2,395)
Proceeds of the disposal of collaterals	-	162,554
Decrease (increase) in other assets	<u>37,973</u>	<u>(29,284)</u>
Net cash generated from (used in) investing activities	<u>3,256,707</u>	<u>(2,858,623)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issue bank debentures	-	3,000,000
Repayments of bank debentures	-	(800,000)
Increase (decrease) in guarantee deposits received	6,302	(1,092)
Increase in other liabilities	55,922	10,760
Cash dividends paid	<u>(8,962)</u>	<u>(181,042)</u>
Net cash generated from financing activities	<u>53,262</u>	<u>2,028,626</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>554,167</u>	<u>248,337</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,902,758	(11,410,731)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>82,024,479</u>	<u>93,435,210</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 85,927,237</u>	<u>\$ 82,024,479</u>

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2014 and 2013:

	<u>December 31</u>	
	2014	2013
Cash and cash equivalents in balance sheets	\$ 9,476,656	\$ 7,693,960
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"	50,100,000	54,100,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>26,350,581</u>	<u>20,230,519</u>
Cash and cash equivalents in statements of cash flows	<u>\$ 85,927,237</u>	<u>\$ 82,024,479</u>

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

(Concluded)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

As of December 31, 2012, the Bank’s operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 89 domestic branches.

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

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

As of December 31, 2014 and 2013, the Bank had 3,356 and 3,249 employees, respectively.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 18, 2015.

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

- a. 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 not yet effective

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.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014

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

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Criteria Governing the Preparation of Financial Reports by Public Banks 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.

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.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets and retained earnings. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Bank would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The anticipated impact of the initial application of the revised IAS 19 is detailed as follows:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>Impact on assets, liabilities and equity</u>			
<u>December 31, 2014</u>			
Effect on assets			
Deferred tax assets	\$ 2,245,936	\$ (478)	\$ 2,245,458
Effect on liabilities			
Net defined benefit liabilities	\$ 746,506	\$ (2,810)	\$ 743,696
Effect on equity			
Retained earnings	\$ 3,045,300	\$ 2,332	\$ 3,047,632
<u>January 1, 2014</u>			
Effect on assets			
Deferred tax assets	\$ 2,826,055	\$ (565)	\$ 2,825,490

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Effect on liabilities			
Net defined benefit liabilities	\$ <u>666,199</u>	\$ <u>(3,321)</u>	\$ <u>662,878</u>
Effect on equity			
Retained earnings	\$ <u>2,792,439</u>	\$ <u>2,756</u>	\$ <u>2,795,195</u>
<u>Impact on total comprehensive income for the year ended December 31, 2014</u>			
Employee benefit expenses	\$ (31,079)	\$ 1,193	\$ (29,886)
Income tax expense	<u>5,283</u>	<u>(203)</u>	<u>5,080</u>
Total effect on net profit for the year	<u>(25,796)</u>	<u>990</u>	<u>(24,806)</u>
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plan	(72,868)	(1,703)	(74,571)
Income tax relating to items that will not be reclassified	<u>12,387</u>	<u>289</u>	<u>12,676</u>
Total effect on other comprehensive income for the year, net of income tax	<u>(60,481)</u>	<u>(1,414)</u>	<u>(61,895)</u>
Total effect on total comprehensive income for the year	\$ <u>(86,277)</u>	\$ <u>(424)</u>	\$ <u>(86,701)</u> (Concluded)

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.

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 Bank and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Criteria Governing the Preparation of Financial Reports by Public Banks and the 2013 IFRSs version in 2015 is expected to have material effect on the consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Bank would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

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

The Bank has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

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 4)
IFRS 9 “Financial Instruments”	January 1, 2018
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”	January 1, 2016 (Note 3)
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, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: 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.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 19: Amendment in 2013

The amended IAS 19 states that if contributions from employees or third parties are not linked to service, these contributions affect the remeasurement of the net defined benefit liability (asset). If the contributions are linked solely to service, the employees’ service rendered in that period in which they are paid, these contributions may be recognized as a reduction of service cost in the same period. If the contributions depend on the number of years of service, an entity is required to attribute these contributions to service periods as a reduction of service cost.

3) 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.

4) 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.

5) 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.

6) 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.

7) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede 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.

8) 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.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

9) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Bank should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Bank should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

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

Foreign Currencies

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

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

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

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

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

Investments Accounted for Using the Equity Method

a. Investments in subsidiaries

Subsidiaries are the entities controlled by the Bank.

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

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

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

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

When 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.

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

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

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

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

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

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

When the Bank transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank's 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 (please specify) 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.

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

2) Financial guarantee contracts

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

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

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

b. Derecognition of financial liabilities

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

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

Separate acquisition

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

Derecognition

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

Foreclosed Collaterals

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

Impairment of Tangible and Intangible Assets (Excluded Goodwill)

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

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

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

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

Leasing

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

a. Bank as lessor

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

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

b. Bank as lessee

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

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

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.

Retirement Benefit Costs

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

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

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

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

Income Tax

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

a. Current tax

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. Held-to-maturity financial assets

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

b. Impairment of goodwill

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

c. 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.

d. Fair value of financial instruments

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

e. Employee benefits

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash on hand	\$ 5,238,017	\$ 5,078,569
Checks for clearing	2,885,352	1,661,151
Due from banks	<u>1,353,287</u>	<u>954,240</u>
	<u>\$ 9,476,656</u>	<u>\$ 7,693,960</u>

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2014	2013
Deposit reserve - checking account	\$ 6,913,974	\$ 7,083,159
Required deposit reserve	10,198,902	9,645,968
Deposit reserve - foreign-currency deposits	47,577	44,925
Deposit account in Central Bank	<u>50,100,000</u>	<u>54,100,000</u>
	<u>\$ 67,260,453</u>	<u>\$ 70,874,052</u>

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	2013
<u>Financial assets held for trading</u>		
Commercial paper	\$ 15,797,263	\$ 7,566,717
Government bonds	154,538	205,635
Quoted stocks	<u>131,750</u>	<u>157,846</u>
	<u>16,083,551</u>	<u>7,930,198</u>

(Continued)

	December 31	
	2014	2013
Derivative instrument		
Forward exchange contracts	\$ 345,786	\$ 58,969
Currency swap contracts	16,573	13,896
Option contracts	<u>104,410</u>	<u>5,848</u>
	<u>466,769</u>	<u>78,713</u>
	<u>16,550,320</u>	<u>8,008,911</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Corporate bonds	1,362,869	1,854,346
Principal guaranteed notes	<u>459,947</u>	<u>-</u>
	<u>1,822,816</u>	<u>1,854,346</u>
	<u>\$ 18,373,136</u>	<u>\$ 9,863,257</u>
<u>Financial liabilities held for trading</u>		
Derivative instrument		
Forward exchange contracts	\$ 102,298	\$ 9,113
Option contracts	104,511	5,848
Currency swap contracts	<u>4,275</u>	<u>1,045</u>
	<u>\$ 211,084</u>	<u>\$ 16,006</u>
		(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, 2014 and 2013 were as follows:

	December 31	
	2014	2013
Currency swap contracts	\$ 17,473,017	\$ 11,816,654
Forward exchange contracts	13,973,014	3,439,655
Option contracts		
Buy	5,199,453	1,789,879
Sell	5,199,453	1,789,879

As of December 31, 2014 and 2013, financial instruments at fair value through profit and loss in the amount of \$10,329,832 thousand and \$6,206,915 thousand were under agreement to repurchase agreements.

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2014	2013
Commercial paper	\$ 13,402,990	\$ 10,811,209
Government bonds	330,016	3,200,000
Corporate bonds	<u>12,617,575</u>	<u>6,219,310</u>
	<u>\$ 26,350,581</u>	<u>\$ 20,230,519</u>
Date of the resell agreement	2015.01-2015.02	2014.01-2014.02
Amount of the resell	<u>\$ 26,351,543</u>	<u>\$ 20,239,311</u>

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

10. RECEIVABLES, NET

	December 31	
	2014	2013
Notes and accounts receivable	\$ 12,801,378	\$ 12,129,194
Interbank clearing fund receivable	800,272	300,707
Interest receivable	604,832	557,048
Investment receivable	179,098	269,857
Acceptances receivable	109,593	122,805
Settlement price	76,998	39,380
Collections receivable	56,715	94,689
Asset-backed commercial paper	-	362,694
Others	<u>186,784</u>	<u>142,488</u>
	14,815,670	14,018,862
Less: Allowance for doubtful accounts	<u>137,418</u>	<u>276,244</u>
	<u>\$ 14,678,252</u>	<u>\$ 13,742,618</u>

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	
	2014	2013
Discounts and overdraft	\$ 731,098	\$ 73,884
Accounts receivable - financing	70,360	89,460
Loans		
Short-term - unsecured	41,552,230	30,851,252
- secured	47,417,513	41,860,116
Medium-term - unsecured	14,901,112	10,682,146
- secured	40,092,743	35,332,126

(Continued)

	December 31	
	2014	2013
Long-term - unsecured	\$ 4,296,467	\$ 5,025,448
- secured	110,906,045	108,049,889
Import and export negotiations	93,307	106,955
Overdue loans	<u>138,360</u>	<u>595,752</u>
	260,199,235	232,667,028
Less: Allowance for doubtful accounts	<u>2,567,114</u>	<u>2,524,436</u>
	<u>\$ 257,632,121</u>	<u>\$ 230,142,592</u>

(Concluded)

As of December 31, 2014 and 2013, the balances of nonaccrual loans were \$138,360 thousand and \$595,752 thousand, respectively. The unrecognized interest revenues on nonperforming loans were \$3,719 thousand in 2014 and \$17,453 thousand in 2013.

In 2014 and 2013, 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, 2014 and 2013 are summarized as follows:

	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	<u>-</u>	<u>5,700</u>	<u>-</u>	<u>5,700</u>
Balance at December 31, 2014	<u>\$ 137,418</u>	<u>\$ 2,567,114</u>	<u>\$ 170,000</u>	<u>\$ 2,874,532</u>

	Year Ended December 31, 2013			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2013	\$ 172,094	\$ 2,225,915	\$ 114,000	\$ 2,512,009
Allowance (reversal of allowance) for doubtful accounts	(130,351)	24,461	10,000	(95,890)
Write-offs	(196,152)	(313,480)	-	(509,632)

(Continued)

	Year Ended December 31, 2013			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Recovery of written-off credits	\$ 431,653	\$ 546,951	\$ -	\$ 978,604
Reclassification	(1,000)	40,000	(39,000)	-
Effects of exchange rate changes	-	589	-	589
Balance at December 31, 2013	<u>\$ 276,244</u>	<u>\$ 2,524,436</u>	<u>\$ 85,000</u>	<u>\$ 2,885,680</u> (Concluded)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
Corporate bonds	\$ 7,203,711	\$ 3,736,164
Mutual funds	2,569,496	1,413,583
Overseas quoted stocks	1,991,358	1,572,591
Domestic quoted stocks	1,057,344	435,306
Government bonds	877,576	1,126,450
Negotiable certificates of deposit	-	216,098
	<u>\$ 13,699,485</u>	<u>\$ 8,500,192</u>

The available-for-sale financial assets amounting to \$2,835,067 thousand and \$2,824,240 thousand as of December 31, 2014 and 2013, respectively, had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2014	2013
Government bonds	\$ 493,990	\$ 289,779
Asset-based securities	27,276	39,556
Negotiable certificates of deposit	-	98,682
	<u>\$ 521,266</u>	<u>\$ 428,017</u>

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

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31	
	2014	2013
Investments in subsidiaries	\$ 2,562,135	\$ 2,513,412
Investments in associates	54,183	54,294
	<u>\$ 2,616,318</u>	<u>\$ 2,567,706</u>

a. Investments in subsidiaries

	December 31	
	2014	2013
Union Finance and Leasing International Corporation (UFLIC)	\$ 2,294,342	\$ 2,255,382
Union Securities Investment Trust Corporation (USITC)	144,819	138,406
Union Finance International (H.K.) Limited	81,269	79,679
Union Insurance Broker Company (UIB)	25,237	27,037
Union Information Technology Corporation (UIT)	<u>16,468</u>	<u>12,908</u>
	<u>\$ 2,562,135</u>	<u>\$ 2,513,412</u>

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	
	2014	2013
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, 2014 and 2013 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	
	2014	2013
Union Real-Estate Management Corporation	\$ 54,183	\$ 54,294
I Pass Corporation	<u>-</u>	<u>-</u>
	<u>\$ 54,183</u>	<u>\$ 54,294</u>

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.

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

	December 31	
	2014	2013
Union Finance and Leasing International Corporation (UFLIC)	40%	40%

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

	December 31	
	2014	2013
Total assets	<u>\$ 237,775</u>	<u>\$ 237,875</u>
Total liabilities	<u>\$ 102,319</u>	<u>\$ 102,140</u>
	Year Ended December 31	
	2014	2013
Revenue	<u>\$ -</u>	<u>\$ -</u>
Loss for the year	<u>\$ (278)</u>	<u>\$ (491)</u>

The Bank's share of the associate's profit and other comprehensive income for 2014 and 2013 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	
	2014	2013
Debt instruments with no active markets	\$ 45,121,992	\$ 48,516,710
Pledged assets (Note 41)	8,357,344	8,769,791
Due from banks - certificate of deposit	2,644,570	-
Financial assets carried at cost, net	515,451	413,715
Prepayments for shares	<u>-</u>	<u>130,000</u>
	<u>\$ 56,639,357</u>	<u>\$ 57,830,216</u>

a. Debt instruments with no active markets

As of December 31, 2014 and 2013, debt instruments with no active markets and amounting to \$27,263,845 thousand and \$24,189,473 thousand, respectively, were under repurchase agreements.

b. Financial assets carried at cost, net

	December 31	
	2014	2013
Unquoted stocks		
Financial Information Service Company	\$ 118,782	\$ 118,782
I Pass Corporation (Note 15)	123,320	-
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	<u>77,099</u>	<u>98,683</u>
	<u>\$ 515,451</u>	<u>\$ 413,715</u>

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

c. Due from banks - certificate of deposit

The amount of due from banks - certificate of deposit can not be cancelled or used.

17. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
<u>Cost</u>							
Balance at January 1, 2013	\$ 3,436,297	\$ 5,041,069	\$ 1,337,753	\$ 264,359	\$ 371,165	\$ -	\$ 10,450,643
Additions	-	11,332	38,835	5,676	35,941	16,136	107,920
Disposals	(14,590)	-	(46,134)	(6,945)	-	-	(67,669)
Reclassification	-	-	-	-	-	(6,189)	(6,189)
Balance at December 31, 2013	<u>3,421,707</u>	<u>5,052,401</u>	<u>1,330,454</u>	<u>263,090</u>	<u>407,106</u>	<u>9,947</u>	<u>10,484,705</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2013	-	953,995	1,236,472	235,678	311,496	-	2,737,641
Depreciation	-	108,815	29,060	6,979	23,530	-	168,384
Disposals	-	-	(45,405)	(6,891)	-	-	(52,296)
Balance at December 31, 2013	<u>-</u>	<u>1,062,810</u>	<u>1,220,127</u>	<u>235,766</u>	<u>335,026</u>	<u>-</u>	<u>2,853,729</u>
Balance at January 1, 2013	<u>\$ 3,436,297</u>	<u>\$ 4,087,074</u>	<u>\$ 101,281</u>	<u>\$ 28,681</u>	<u>\$ 59,669</u>	<u>\$ -</u>	<u>\$ 7,713,002</u>
Balance at December 31, 2013, net	<u>\$ 3,421,707</u>	<u>\$ 3,989,591</u>	<u>\$ 110,327</u>	<u>\$ 27,324</u>	<u>\$ 72,080</u>	<u>\$ 9,947</u>	<u>\$ 7,630,976</u>
<u>Cost</u>							
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	<u>3,421,707</u>	<u>5,073,535</u>	<u>1,268,462</u>	<u>269,892</u>	<u>471,475</u>	<u>127,387</u>	<u>10,632,458</u>
<u>Accumulated depreciation</u>							
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	<u>-</u>	<u>1,174,004</u>	<u>1,135,785</u>	<u>237,144</u>	<u>363,319</u>	<u>-</u>	<u>2,910,252</u>
Balance at December 31, 2014, net	<u>\$ 3,421,707</u>	<u>\$ 3,899,531</u>	<u>\$ 132,677</u>	<u>\$ 32,748</u>	<u>\$ 108,156</u>	<u>\$ 127,387</u>	<u>\$ 7,722,206</u>

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, 2014 and 2013, the balances of accumulated impairment both were \$902,691 thousand.

19. OTHER ASSETS, NET

	December 31	
	2014	2013
Refundable deposits	\$ 1,817,016	\$ 1,741,409
Prepaid expenses	127,934	152,047
Others	<u>17,782</u>	<u>31,642</u>
	<u>\$ 1,962,732</u>	<u>\$ 1,925,098</u>

20. CALL LOANS AND DUE TO OTHER BANKS

	December 31	
	2014	2013
Due to Chunghwa Post Co., Ltd.	\$ 4,054,959	\$ 4,817,779
Call loans from banks	2,000,000	-
Overdraft	68,647	46,828
Due to the Central Bank and other banks	<u>41,138</u>	<u>60,004</u>
	<u>\$ 6,164,744</u>	<u>\$ 4,924,611</u>

21. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2014	2013
Asset-based securities	\$ 18,396,440	\$ 15,274,500
Commercial paper	10,186,820	6,006,325
Government bonds	1,129,932	1,456,239
Corporate bonds	<u>2,078,084</u>	<u>1,845,593</u>
	<u>\$ 31,791,276</u>	<u>\$ 24,582,657</u>
Date of repurchase agreement	2015.01-2015.03	2014.01-2014.06
Amount of repurchase agreement	<u>\$ 31,819,568</u>	<u>\$ 24,604,370</u>

22. PAYABLES

	December 31	
	2014	2013
Notes and checks in clearing	\$ 2,885,352	\$ 1,661,151
Accrued expenses	778,231	668,552
Interest payable	610,445	591,654
Investments payable	240,279	247,231
Collections payable	172,890	164,067
Bank acceptances payable	110,363	129,230
Tax taxable	100,778	47,734
Provision for payment to the Bank's check	65,852	63,606
Accounts payable on wire transfers received	58,293	53,448
Dishonored accounts payable	43,917	43,852
Others	<u>389,671</u>	<u>497,623</u>
	<u>\$ 5,456,071</u>	<u>\$ 4,168,148</u>

23. DEPOSITS AND REMITTANCES

	December 31	
	2014	2013
Checking deposits	\$ 4,794,920	\$ 4,347,055
Demand deposits	56,397,374	52,487,844
Savings deposits	263,634,990	244,228,982
Time deposits	70,787,329	63,681,298
Negotiable certificates of deposit	754,500	314,300
Inward and outward remittances	<u>41,319</u>	<u>60,682</u>
	<u>\$ 396,410,432</u>	<u>\$ 365,120,161</u>

24. BANK DEBENTURES

	December 31	
	2014	2013
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	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ 7,400,000</u>	<u>\$ 7,400,000</u>

25. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Principals of structured products	\$ 2,959	\$ 166,839
Funds obtained from the government - intended for specific types of loans	<u>15,969</u>	<u>35,019</u>
	<u>\$ 18,928</u>	<u>\$ 201,858</u>

26. PROVISIONS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Provisions for employee benefits	\$ 747,935	\$ 667,628
Reserve for losses on guarantees	170,000	85,000
Others	<u>24,850</u>	<u>-</u>
	<u>\$ 942,785</u>	<u>\$ 752,628</u>

27. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

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

The total expenses recognized in profit or loss for 2014 and 2013 of \$101,999 thousand and \$93,482 thousand, respectively, were contributions payable to these plans by the Bank at rates specified in the pension plan rules.

b. Defined benefit plans

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

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

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 31, 2014 by actuaries. For 2014 and 2013, the Bank recognized employee benefit expenses of \$31,079 thousand and \$27,373 thousand, respectively, calculated using the actuarially determined pension cost rate as of December 31, 2014 and 2013, respectively.

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

	Valuation at	
	December 31	
	2014	2013
Discount rate	1.75%	1.75%
Expected rate return on plan assets	1.50%	1.50%
Future salary increase rate	3.00%	3.00%

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

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

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 18,711	\$ 19,744
Interest cost	23,101	19,418
Expected return on plan assets	(10,222)	(11,278)
Past service cost	<u>(511)</u>	<u>(511)</u>
	<u>\$ 31,079</u>	<u>\$ 27,373</u>

Actuarial gains and losses recognized in other comprehensive income were \$72,868 thousand for 2014 and \$12,504 thousand for 2013. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 were \$171,231 thousand and \$98,363 thousand, respectively.

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

	December 31	
	2014	2013
Present value of the funded defined benefit obligation	\$ 1,435,055	\$ 1,325,371
Fair value of plan assets	<u>(691,360)</u>	<u>(662,494)</u>
Deficit	743,695	662,877
Past service cost not yet recognized	<u>2,811</u>	<u>3,322</u>
Net liability on the defined benefit obligation (included in provisions for employee benefits)	<u>\$ 746,506</u>	<u>\$ 666,199</u>

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

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 1,325,371	\$ 1,300,424
Current service cost	18,711	19,744
Interest cost	23,101	19,418
Actuarial losses	75,257	9,968
Benefits paid	<u>(7,385)</u>	<u>(24,183)</u>
Closing defined benefit obligation	<u>\$ 1,435,055</u>	<u>\$ 1,325,371</u>

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

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 662,494	\$ 623,900
Expected return on plan assets	10,222	11,278
Actuarial gains	2,389	(2,536)
Contributions from the employer	23,640	54,035
Benefits paid	<u>(7,385)</u>	<u>(24,183)</u>
Closing fair value of plan assets	<u>\$ 691,360</u>	<u>\$ 662,494</u>

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

	December 31	
	2014	2013
Cash	19.12%	22.86%
Short-term bills	1.98%	4.10%
Bonds	11.92%	9.37%
Fix-income instruments	14.46%	18.11%
Equity securities	49.69%	44.77%
Others	<u>2.83%</u>	<u>0.79%</u>
	<u>100.00%</u>	<u>100.00%</u>

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

	December 31	
	2014	2013
Present value of defined benefit obligation	<u>\$ 1,435,055</u>	<u>\$ 1,325,371</u>
Fair value of plan assets	<u>\$ 691,360</u>	<u>\$ 662,494</u>
Deficit	<u>\$ 743,695</u>	<u>\$ 662,877</u>
Experience adjustments on plan liabilities	<u>\$ (75,257)</u>	<u>\$ (9,968)</u>
Experience adjustments on plan assets	<u>\$ 2,389</u>	<u>\$ (2,536)</u>

The Bank expects to make a contribution of \$35,528 thousand to the defined benefit plan during the annual period beginning after December 31, 2014.

28. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Advance receipts	\$ 272,494	\$ 185,498
Guarantee deposits received	97,783	91,481
Others	<u>48,034</u>	<u>37,846</u>
	<u>\$ 418,311</u>	<u>\$ 314,825</u>

29. EQUITY

a. Capital stock

Common stock

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Number of shares authorized (in thousands)	<u>3,000,000</u>	<u>3,000,000</u>
Amount of shares authorized	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,450,930</u>	<u>2,216,525</u>
Amount of shares issued	<u>\$ 24,509,306</u>	<u>\$ 22,165,251</u>

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

Preferred shares

In their meeting on June 15, 2007, the stockholders resolved to raise publicly or privately the Bank's cash capital by \$8,000,000 thousand through a one-time or a serial share issuance depending on the market situation. On September 26, 2007, the Bank privately issued 400,000 thousand preferred shares at NT\$10.00 par value and 6% dividend rate.

Under the Bank's Articles of Incorporation, after the Bank appropriates the legal and special reserves from its net income (less any deficit), the Bank should use part of the remainder as dividends to the preferred stockholders. In their meeting on June 13, 2008, the Bank's stockholders passed a resolution to amend the Articles of Incorporation. Based on this amendment, the issuance of preferred dividends will no longer be whenever the Bank makes profits and instead will be made only under common stockholders' resolutions approving this issuance. The preferred stockholders can participate in the distribution of the remaining earnings at the ratio of one preferred share for one common share after earnings distribution to the common stockholders but cannot participate in the distribution of capital surplus transferred to common stock. A preferred share can be converted into one common share a year after the issuance date. The Bank, upon getting approval from the Banking Bureau, can call back some or all the outstanding preferred shares after six years from the issuance date at the price of the issuance amount plus unpaid accumulated dividends.

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

b. Capital surplus

	December 31	
	2014	2013
Arising from issuance of common shares	\$ 593	\$ 1,875
Treasury stock transactions	<u>32,413</u>	<u>32,413</u>
	<u>\$ 33,006</u>	<u>\$ 34,288</u>

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

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

c. Legal reserve

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

d. Special reserve

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

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

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) Together with prior year's unappropriated earnings: Dividends;
- 4) The remainder:
 - a) Retained earnings, as deemed proper;
 - b) Employees' bonus of at least 10% (excluding prior year's unappropriated earnings);
 - c) The remainder: 0.5% as remuneration to directors and supervisors (excluding prior year's unappropriated earnings) and bonus to stockholders as approved by the stockholders.

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

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

For 2014 and 2013, the estimates of the bonus to employees were \$69,510 thousand and \$66,865 thousand, respectively, and the remunerations to directors and supervisors were \$3,475 thousand and \$3,343 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were 10% and 0.5%, respectively, of net income (net of the bonus and remuneration) minus legal reserve, special reserve, and dividends. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the year of the board's proposal. If the actual amounts subsequently approved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

The appropriations from the earnings of 2013 and 2012 were approved in stockholders' meetings on June 6, 2014 and June 14, 2013, respectively. The appropriations and dividends per share were as follows:

	2013		2012	
	Appropriation of Earnings	Dividend Per Share (NT\$)	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 837,731		\$ 784,074	
Special reserve	(355,597)		(201,754)	
Stock dividends on common shares	2,283,021	\$1.030	1,839,520	\$0.917
Cash dividends on preferred shares	8,962	0.400	181,042	0.600
Stock dividends on preferred shares	-	-	18,725	0.917

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

	2013		2012	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	\$ -	\$ 59,752	\$ -	\$ 44,485
Bonus to directors and supervisors	2,988	-	2,224	-

The stock bonus to employees was \$6,103 thousand and \$4,261 thousand, determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting in 2014 and 2013.

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

The bonus to employees and remuneration to directors and supervisors approved in the shareholders meeting on June 6, 2013 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 appropriations from the 2014 earnings were proposed by the board of directors on March 18, 2015. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 928,139	
Stock dividends on common shares	1,470,558	\$0.60
Cash dividends on preferred shares	637,242	0.26

The proposed appropriations from the 2014 earnings, including the bonus to employees and remuneration to directors and supervisors, will be presented to the stockholders in their meeting on June 26, 2015.

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

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

f. Special reserve

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	
	2014	2013
Balance at January 1	\$ 914,439	\$ 608,209
Appropriated the special reserve		
First-time adoption of IFRS	-	507,984
Reversal of special reserve		
Reversal of other equity items minus	<u>(355,597)</u>	<u>(201,754)</u>
Balance at December 31	<u>\$ 558,842</u>	<u>\$ 914,439</u>

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

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

g. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ (77,629)	\$ (278,935)
Exchange differences arising on translating the foreign operations	560,226	251,127
Income tax on related from translating the net assets of foreign operations	(95,238)	(49,821)
Share of exchange difference of subsidiaries accounted for using the equity method	<u>(48,106)</u>	<u>-</u>
Balance at December 31	<u>\$ 339,253</u>	<u>\$ (77,629)</u>

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

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ 909,507	\$ 413,490
Unrealized gain from the revaluation of available-for-sale financial assets	334,769	578,479
Income tax on unrealized gain from the revaluation of available-for-sale financial assets	(71,190)	(210,886)

(Continued)

	For the Year Ended December 31	
	2014	2013
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	\$ (110,624)	\$ 114,304
Share of exchange difference of subsidiaries accounted for using the equity method	<u>(32,815)</u>	<u>14,120</u>
Balance at December 31	<u>\$ 1,029,647</u>	<u>\$ 909,507</u> (Concluded)

30. NET INTEREST

	For the Year Ended December 31	
	2014	2013
<u>Interest revenue</u>		
Discounts and loans	\$ 5,906,403	\$ 5,593,583
Debt instruments with no active market	1,743,841	1,786,560
Credit card	892,076	930,156
Due from the Central Bank and call loans to other banks	697,483	622,371
Available-for-sale financial assets	173,694	135,317
Securities purchased under resell agreements	114,536	96,244
Financial assets at fair value through profit or loss	158,643	79,197
Held-to-maturity financial assets	8,500	15,112
Others	<u>12,018</u>	<u>12,803</u>
	<u>9,707,194</u>	<u>9,271,343</u>
<u>Interest expense</u>		
Deposits	3,238,946	2,983,668
Securities sold under repurchase agreements	179,551	155,594
Bank debentures	179,950	130,406
Due to Chunghwa Post Co., Ltd.	64,073	66,817
Others	<u>19,003</u>	<u>13,537</u>
	<u>3,681,523</u>	<u>3,350,022</u>
	<u>\$ 6,025,671</u>	<u>\$ 5,921,321</u>

31. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2014	2013
Commission and fee revenues		
Credit cards and cash cards	\$ 904,081	\$ 873,171
Trust business	380,874	277,182
Insurance commission	461,761	285,871
Loan business	165,316	154,683
Interbank service fee	122,726	110,200
		(Continued)

	For the Year Ended December 31	
	2014	2013
Guarantee business	\$ 84,039	\$ 77,777
Underwriting business	110,894	70,144
Remittances	36,376	35,437
Custody	31,293	31,244
Postage/cable charge	21,264	19,322
Agency	17,102	12,178
Import and export business	8,640	8,406
Others	<u>101,346</u>	<u>119,985</u>
	<u>2,445,712</u>	<u>2,075,600</u>
Commission and fee expense		
Credit card	362,379	292,857
Verification of credit	27,485	23,588
Interbank service fee	16,273	16,611
Acquiring liquidation deal	13,697	11,751
Agency fee	10,853	9,789
Others	<u>60,926</u>	<u>56,630</u>
	<u>491,613</u>	<u>411,226</u>
	<u>\$ 1,954,099</u>	<u>\$ 1,664,374</u>

(Concluded)

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

	For the Year Ended December 31	
	2014	2013
Realized gain or loss on financial assets at fair value through profit or loss		
Forward exchange contracts	\$ (172,136)	\$ 376,521
Currency swap contracts	199,988	196,721
Convertible corporate bonds	22,322	33,014
Commercial paper	26,105	16,996
Option contracts	6,780	3,635
Beneficial securities and stocks	12,372	11,202
Government bonds	(5,826)	(4,549)
Dividend	2,349	530
Finance purchase under agreement to resell	<u>729</u>	<u>-</u>
	<u>92,683</u>	<u>634,070</u>
Unrealized gain or loss on financial assets at fair value through profit or loss		
Derivative financial assets and liabilities	210,895	14,076
Government bonds and corporate bonds	1,423	28,708
Beneficial securities and stocks	4,065	3,027
Commercial paper	<u>1,673</u>	<u>(1,754)</u>
	<u>218,056</u>	<u>44,057</u>
	<u>\$ 310,739</u>	<u>\$ 678,127</u>

33. REALIZED INCOME (LOSS) FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2014	2013
Net income on disposal - beneficial securities	\$ 78,475	\$ 12,344
Dividend	37,173	28,123
Net income (loss) on disposal - stocks	25,169	(130,210)
Net income on disposal - corporate bonds	6,977	3,086
Net income on disposal - government bonds	3	426
Net income (loss) on disposal - commercial paper	<u>-</u>	<u>50</u>
	<u>\$ 147,797</u>	<u>\$ (86,181)</u>

34. REVERSAL OF IMPAIRMENT INCOME ON ASSETS

	For the Year Ended December 31	
	2014	2013
Other financial assets	\$ -	\$ 68,594
Foreclosed collaterals	<u>-</u>	<u>51,593</u>
	<u>\$ -</u>	<u>\$ 120,187</u>

35. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2014	2013
Salaries and wages	\$ 1,797,620	\$ 1,738,990
Bonus	546,108	522,095
Pension	133,078	120,855
Labor insurance and national health insurance	214,652	197,668
Others	<u>51,671</u>	<u>42,018</u>
	<u>\$ 2,743,129</u>	<u>\$ 2,621,626</u>

As of December 31, 2014 and 2013, the Bank had 3,356 and 3,249 employees, respectively. For the years ended December 31, 2014 and 2013, the Bank's average number of employees was 3,286 and 3,196, respectively.

36. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2014	2013
Property and equipment	\$ 170,911	\$ 168,384
Intangible assets	<u>32,993</u>	<u>40,267</u>
	<u>\$ 203,904</u>	<u>\$ 208,651</u>

37. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2014	2013
Rental	\$ 602,907	\$ 586,807
Outsourcing service	291,642	267,036
Taxation and government fee	395,589	243,917
Advertisement	350,663	284,132
Postage/cable charge	229,186	215,614
Computer operating	153,583	155,868
Deposit insurance	115,548	107,944
Maintenance charge	101,214	110,782
Marketing	57,972	56,826
Donation	35,999	26,328
Printing and binding	42,585	39,385
Others	<u>344,846</u>	<u>311,348</u>
	<u>\$ 2,721,734</u>	<u>\$ 2,405,987</u>

38. INCOME TAX

- a. Income tax recognized in profit or loss

The main components of income tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
Current year	\$ 11,517	\$ 28,131
Prior year's adjustments	(840)	-
Additional tax of unappropriated earnings	<u>1,832</u>	<u>-</u>
	12,509	28,131
Deferred tax		
Current year	<u>569,250</u>	<u>442,760</u>
Income tax expense recognized in profit or loss	<u>\$ 581,759</u>	<u>\$ 470,891</u>

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2014 and 2013 is as follows:

	For the Year Ended December 31	
	2014	2013
Income before tax	<u>\$ 3,675,554</u>	<u>\$ 3,338,782</u>
Income tax expense at the 17% statutory rate	\$ 624,844	\$ 567,593
Non deductible expenses in determining taxable income	2	49
Additional income tax under the Alternative Minimum Tax Act	11,517	28,131
Unrecognized deductible temporary differences	19,895	(36,715)
Additional tax of unappropriated earnings	1,832	-
Tax-exempt income	(75,491)	(88,167)
Adjustments for prior year's tax	<u>(840)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 581,759</u>	<u>\$ 470,891</u>

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

As the manner of the 2015 appropriation of the 2014 earnings is uncertain, the income tax consequences on the 2014 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Deferred tax</u>		
Recognized in other comprehensive income:		
Unrealized gains on available-for-sale financial assets	\$ 71,190	\$ 210,886
Exchange differences on the translation of financial statements of foreign operations	95,238	49,821
Actuarial gains and losses on defined benefit plans	<u>(12,387)</u>	<u>(2,127)</u>
Total income tax expenses recognized in other comprehensive income	<u>\$ 154,041</u>	<u>\$ 258,580</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Current tax assets		
Tax refund receivable	<u>\$ 326,786</u>	<u>\$ 160,660</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2014

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
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	<u>17,268</u>	<u>3,329</u>	<u>-</u>	<u>20,597</u>
	440,623	(209,679)	(53,338)	177,606
Loss carryforwards	<u>2,385,432</u>	<u>(317,102)</u>	<u>-</u>	<u>2,068,330</u>
	<u>\$ 2,826,055</u>	<u>\$ (526,781)</u>	<u>\$ (53,338)</u>	<u>\$ 2,245,936</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
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	<u>(15,380)</u>	<u>(38,032)</u>	<u>-</u>	<u>(53,412)</u>
	<u>\$ (556,558)</u>	<u>\$ (42,469)</u>	<u>\$ (100,703)</u>	<u>\$ (699,730)</u> (Concluded)

For the year ended December 31, 2013

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

e. Information about loss carryforwards

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

Unused Amount	Expiry Year
\$ 4,693,212	2017
3,598,295	2018
3,654,948	2019
<u>220,192</u>	2020
 <u>\$ 12,166,647</u>	

f. Information on the Bank's integrated income tax

	December 31	
	2014	2013
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 3,045,300</u>	<u>\$ 2,792,439</u>
Imputation credits accounts	<u>\$ 83,231</u>	<u>\$ 2,553</u>

The creditable ratios for the distribution of the earnings of 2014 and 2013 were 2.73% (expected ratio) and 0%, 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 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

- g. The Bank's income tax returns through 2008, 2011 and 2012 have been examined and cleared by the tax authorities. The Bank disagreed with the tax authorities' assessment of the Bank's 2011 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
<u>2014</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 3,675,554	\$ 3,093,795	2,448,322	\$ <u>1.50</u>	\$ <u>1.26</u>
Bonus to employees	-	-	<u>9,325</u>		
Diluted EPS	<u>\$ 3,675,554</u>	<u>\$ 3,093,795</u>	<u>2,457,647</u>	<u>\$ 1.50</u>	<u>\$ 1.26</u>
<u>2013</u>					
Basic EPS					
Less: Preferred dividends	<u>(8,962)</u>	<u>(8,962)</u>			
Basic EPS					
Income for the year attributable to common stockholders	3,329,820	2,858,929	2,427,976	\$ <u>1.37</u>	\$ <u>1.18</u>
Effect of potential dilutive convertible preferred stock	8,962	8,962	14,993		
Bonus to employees	-	-	<u>8,021</u>		
Diluted EPS	<u>\$ 3,338,782</u>	<u>\$ 2,867,891</u>	<u>2,450,990</u>	<u>\$ 1.36</u>	<u>\$ 1.17</u>

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

The Bank's record dates for the distribution of stock dividends appropriated from the 2014 and 2013 earnings were August 2, 2014 and August 12, 2013, 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 from NT\$1.30 to NT\$1.18 and from NT\$1.29 to NT\$1.17, 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
Union Ran Zheng Co., Ltd. (URZ)	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
Morgan Stanley Union Bank Assets Management Corporation (MSUB)	Related party in substance
Union Recreation Enterprise Corporation	Related party in substance
Others	Directors, supervisors, managers, and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2014

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2014	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	4	\$ 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, 2013

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2013	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	5	\$ 3,785	\$ 3,707	\$ 3,707	\$ -	-	None
Self-used housing mortgage loans	18	92,964	86,935	86,935	-	Real estate	None
Others	UFLIC	2,239,549	2,167,788	2,167,788	-	Land, buildings and foreign time deposits	None
Others	3	567,665	567,643	567,643	-	Land, plant, buildings and time deposits	None

	December 31		Interest Revenue			
	Amount	%	Rate	Amount	%	
2014	\$ 2,505,517	0.97	1.34%-2.930%	\$ 44,417	0.46	
2013	2,826,073	1.23	1.34%-3.185%	46,548	0.50	

2) Deposits

	December 31		Interest Expense			
	Amount	%	Rate	Amount	%	
2014	\$ 5,430,728	1.37	0%-3.80%	\$ 39,643	1.08	
2013	5,471,612	1.50	0%-4.21%	33,499	1.00	

3) Guarantees and letters of credit

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

December 31, 2013

Name	Highest Balance in the Year Ended December 31, 2013	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	\$ 54,899	\$ 39,874	\$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	17,390	13,665	-	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	%
2014	\$ 4,085	6.06
2013	2,892	5.34

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	%
<u>2014</u>				
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
<u>2013</u>				
Yu-Pang	454,290	26.09	14,821	2.53
Hung-Kuo	218,760	12.56	100,675	17.16
Yong-Xuan	13,649	0.78	57,514	9.80
UECC	4,384	0.25	9,266	1.58
UFLIC	-	-	3,447	0.59

The Bank rented cars for business use from UFLIC; the rental expenses were \$9,756 thousand in 2014 and \$9,615 thousand in 2013. Rentals payable as of December 31, 2014 and 2013 were \$79 thousand and \$85 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 June 2011 to December 2015, 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 \$1,126 thousand and \$910 thousand in 2013 and 2012, respectively. The lease deposits received (included in other liabilities) were \$295 thousand and \$235 thousand in 2013 and 2012, respectively.

6) Available-for-sale financial assets

As of December 31, 2014 and 2013, the Bank had purchased 97,504 thousand units and 59,386 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to \$1,213,925 thousand and \$757,198 thousand, respectively.

7) UIT sold computers and related materials and software and provided network services to the Bank. The purchase and service fees were \$109,160 thousand in 2014 and \$90,667 thousand in 2013.

8) The Bank provided insurance consulting service and sales assistance to UIB. The commission and fee revenues were \$198,735 thousand in 2014 and \$173,769 thousand in 2013. The commission revenues on insurance premium (included in commissions and fee revenue) were \$454,440 thousand in 2014 and \$285,977 thousand in 2013.

9) For credit card promotion, the Bank bought from Union Finance and Leasing International Corporation (UFLIC) classic commemorative watches and backpacks with authorized Ferrari logos for \$25,767 thousand (included in other operating expenses) in 2013.

10) 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 \$25 thousand in 2014 and \$9 thousand in 2013.

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	
	2013	2012
Short-term employment benefits		
Salaries	\$ 29,431	\$ 27,390
Transportation expenses	<u>1,662</u>	<u>1,502</u>
	31,093	28,892
Post-employment benefits	<u>1,987</u>	<u>3,384</u>
	<u>\$ 33,080</u>	<u>\$ 32,276</u>

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

41. PLEDGED ASSETS

As of December 31, 2014 and 2013, government bonds and bank debentures, which amounted to \$107,400 thousand and \$119,500 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, 2014 and 2013, negotiable certificates of deposit, which amounted to \$8,100,000 thousand and \$8,700,000 thousand, respectively (all amounts included in other financial assets), had been provided to the Central Bank as collateral for day-term overdraft.

In 2014, the Bank pledged a time deposit of \$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, 2014 and 2013, the Bank's commitments consisted of the following:

	December 31	
	2014	2013
Irrevocable standby loan commitment	\$ 120,749,277	\$ 76,818,305
Unused credit card commitment	180,297,105	183,598,978
Unused letters of credit	966,744	724,584
Other guarantees	13,189,724	10,679,535
Collections for customers	24,869,977	25,007,132
Travelers' checks consigned-in	132,133	146,347
Guarantee notes payable	8,435,400	4,350,700
Trust assets	58,538,229	59,050,568
Marketable securities under custody	406,380	407,669

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, 2014 and 2013, refundable deposits paid under operating leases were \$793,634 thousand and \$797,429 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	
	2014	2013
Within 1 year	\$ 379,580	\$ 440,696
Over 1 year up to 5 years	754,928	582,874
Over 5 years	<u>594,003</u>	<u>331,668</u>
	<u>\$ 1,728,511</u>	<u>\$ 1,355,238</u>

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, 2014 and 2013, refundable deposits paid under operating leases were \$3,705 thousand and \$3,618 thousand, respectively (included in other liabilities - guarantee deposits received).

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

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Within 1 year	\$ 10,426	\$ 9,190
Over 1 year up to 5 years	<u>13,190</u>	<u>11,293</u>
	<u>\$ 23,616</u>	<u>\$ 20,483</u>

d. Computer equipment purchase contracts

As of December 31, 2014 and 2013, the Bank had contracts to buy computer equipment and software for \$284,797 thousand and \$20,921 thousand, respectively, of which \$110,951 thousand and \$10,738 thousand had been paid as of December 31, 2014 and 2013, respectively.

43. TRUST BUSINESS UNDER THE TRUST LAW

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	<u>(36,241)</u>
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	<u>10,916,514</u>		
Total	<u>\$ 58,538,229</u>	Total	<u>\$ 58,538,229</u>

Balance Sheet of Trust Accounts December 31, 2013

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

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	<u>1</u>
Total trust income	<u>10,437</u>
Trust expense	
Management expense	9,263
Taxation	28,840
Agents fee	4,222
Realized capital loss - fund	55
Unrealized capital loss - fund	707
Other	<u>4,857</u>
Total trust expense	<u>47,944</u>
Loss before tax	(37,507)
Income tax expense	<u>(746)</u>
Net loss	<u>\$ (38,253)</u>

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

Income Statement of Trust Accounts
Year Ended December 31, 2013

	Amount
Trust income	
Interest revenue - demand accounts	\$ 2,348
Interest revenue - time deposits	7,077
Interest revenue - short-term bills and securities purchased under resell agreements	368
Cash dividends	8,391
Income from beneficial certificates	420
Realized capital gain - fund	1,469
Unrealized capital gain - GTSM stock	40,823
Unrealized capital gain - fund	<u>688</u>
Total trust income	<u>61,584</u>
Trust expense	
Management expense	7,654
Taxation	58,396
Realized capital loss - fund	297
Unrealized capital loss - fund	641
Other	<u>17,824</u>
Total trust expense	<u>84,812</u>
Loss before tax	(23,228)
Income tax expense	<u>(1,304)</u>
Net loss	<u>\$ (24,532)</u>

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

**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	<u>10,916,514</u>
	<u>\$ 58,538,229</u>

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

**Trust Property and Equipment Accounts
December 31, 2013**

Investment Portfolio	Amount
Bank deposits	\$ 4,341,603
Investments	
Mutual funds	35,670,405
Common stock	153,251
Short-term bills and securities purchased under resell agreements	80,235
Accounts receivable	2,127
Stock in custody	9,672,156
Real estate - land and buildings	<u>9,130,791</u>
	<u>\$ 59,050,568</u>

44. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

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

	December 31			
	2014		2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 521,266	\$ 526,438	\$ 428,017	\$ 436,693
Debt instruments with no active market	45,121,992	42,295,080	48,516,710	45,201,547

(Continued)

	December 31			
	2014		2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial liabilities</u>				
Bank debentures	\$ 7,400,000	\$ 7,560,935	\$ 7,400,000	\$ 7,557,098 (Concluded)

b. The financial instruments measured at fair value

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

1) Marking to market

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

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

2) Marking to model

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

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

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

c. Three-level fair value hierarchy

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

1) Level 1

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

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

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

2) Level 2

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

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

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

3) Level 3

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

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

- d. The fair value hierarchies of the Bank's financial instruments as of December 31, 2014 and 2013 were as follows:

(In Thousands of New Taiwan Dollars)

	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				
Principal guaranteed notes	1,362,869	-	1,362,869	-
Available-for-sale financial assets	459,947	-	459,947	-
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
December 31, 2013				
	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	\$ 157,846	\$ 157,846	\$ -	\$ -
Debt instruments	205,635	-	205,635	-
Commercial paper	7,566,717	-	7,566,717	-
Financial assets designated as at FVTPL on initial recognition				
Available-for-sale financial assets	1,854,346	-	1,854,346	-
Stock	2,007,897	2,007,897	-	-
Debt instruments	4,862,614	-	4,862,614	-
Negotiable certificates of deposit	216,098	-	216,098	-
Beneficial certificates	1,413,583	1,413,583	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	78,713	-	72,865	5,848
Liabilities				
Financial liabilities at FVTPL	16,006	-	10,158	5,848

e. Reconciliation of Level 3 items of financial instruments

1) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			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

For the year ended December 31, 2013

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			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	\$ 908	\$ (1,418)	\$ 23,268	\$ -	\$ (16,910)	\$ -	\$ 5,848

2) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			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

For the year ended December 31, 2013

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss Derivative financial liabilities	\$ 908	\$ (2,469)	\$ 25,948	\$ -	\$ (18,539)	\$ -	\$ 5,848

f. Transfer between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2014 and 2013.

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

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

45. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

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

c. Credit risk

1) Credit risk definitions and sources

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

2) Strategy/objectives/policies and processes

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

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

- c) Credit risk management policy: The policies are meant to ensure that credit risk falls within an acceptable range and that adequate capital is maintained to meet credit risk management objectives and create maximum risk-adjusted returns.
- d) Credit risk management process: The Bank carries out credit risk identification, credit risk measurement, credit risk mitigation, credit risk monitoring and control and credit risk reporting process as part of its credit risk management mechanism.

3) Credit risk management framework

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

4) Credit risk measurement, control and reporting

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

- b) Measurement system:

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

5) Mitigation of risks or hedging of credit risk

The Bank is exposed to loss on each credit risk faced by its business. Thus, depending on the nature of the business and the cost considerations, the Bank will take appropriate 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	
	2014	2013
Irrevocable standby loan commitment	\$ 231,304	\$ 407,811
Unused letters of credit	966,744	724,584
Other guarantees	13,189,724	10,679,535
Unused credit card commitments	180,297,105	183,598,978

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, 2014		December 31, 2013	
	Amount	%	Amount	%
Private enterprises	\$ 69,979,750	25.59	\$ 56,868,907	23.36
Public enterprises	4,306,000	1.57	4,038,000	1.66
Government organizations	28,801,024	10.53	19,000,000	7.8
Nonprofit organizations	784,346	0.29	1,054,984	0.43
Private organizations	168,054,945	61.45	160,782,463	66.04
Foreign enterprises	1,572,487	0.57	1,725,014	0.71
Total	273,498,552	100.00	243,469,368	100.00

b) By geographical area

The Bank's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Unsecured	\$ 55,910,805	20.44	\$ 41,390,240	17.00
Secured				
Financial instruments	7,536,027	2.76	6,721,311	2.76
Stocks	8,734,316	3.19	8,106,758	3.33
Properties	179,565,252	65.65	166,388,408	68.34
Movables	12,268,583	4.49	10,171,610	4.18
Guarantees	6,726,704	2.46	6,376,124	2.62
Others	2,756,865	1.01	4,314,917	1.77
Total	273,498,552	100.00	243,469,368	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, 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

December 31, 2013	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	\$ 6,112,602	\$ 3,894,359	\$ 74,870	\$ -	\$ 10,081,831	\$ 168,377	\$ 1,945,801	\$ 12,196,009	\$ 89,021	\$ 44,886	\$ 12,062,102
Acceptances receivable	71,567	51,238	-	-	122,805	-	-	122,805	-	255	122,550
Others	1,201,786	77,280	25,653	3,194	1,307,913	2,090	390,045	1,700,048	118,839	23,243	1,557,966
Discounts and loans											
Consumer finance	78,856,081	28,371,536	19,515,676	1,915,312	128,658,605	309,645	81,889	129,050,139	45,771	1,350,220	127,654,148
Corporate banking	60,960,208	38,906,782	1,173,152	-	101,040,142	25,270	2,551,477	103,616,889	476,265	652,180	102,488,444

b) Credit quality analysis of securities

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										
Others	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

December 31, 2013	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	\$ 4,862,614	\$ -	\$ -	\$ 4,862,614	\$ -	\$ -	\$ 4,862,614	\$ -	\$ -	\$ 4,862,614
Investments in stocks	1,950,638	57,259	-	2,007,897	-	-	2,007,897	-	-	2,007,897
Others	404,310	-	1,225,371	1,629,681	-	-	1,629,681	-	-	1,629,681
Held-to-maturity financial assets										
Investments in bonds	329,335	-	-	329,335	-	-	329,335	-	-	329,335
Others	98,682	-	-	98,682	-	-	98,682	-	-	98,682
Other financial assets										
Investments in bonds	48,516,710	-	-	48,516,710	-	-	48,516,710	-	-	48,516,710
Investments in stocks	-	-	413,715	413,715	-	-	413,715	-	-	413,715

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, 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

	December 31, 2013			
	Overdue Less Than One Month	Overdue One to Three Months	Overdue Over Three to Six Months	Total
Accounts receivable				
Credit cards	\$ 133,441	\$ 34,936	\$ -	\$ 168,377
Others	1,435	655	-	2,090
Discounts and loans				
Consumer finance	250,725	58,920	-	309,645
Corporate banking	15,933	9,337	-	25,270

10) Analysis of impairment for financial assets

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

Discounts and loans

Type of Impairment		December 31, 2014		December 31, 2013	
		Discounts and Loans	Allowance for Doubtful Accounts	Discounts and Loans	Allowance for Doubtful Accounts
With objective evidence of impairment	Assessment of individual impairment	\$ 1,836,293	\$ 227,055	\$ 2,485,682	\$ 439,408
	Assessment of collective impairment	337,726	70,769	384,979	82,628
With no objective evidence of impairment	Assessment of collective impairment	258,432,705	2,269,290	230,200,571	2,002,400

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, 2014		December 31, 2013	
		Discounts and Loans	Allowance for Doubtful Accounts	Discounts and Loans	Allowance for Doubtful Accounts
With objective evidence of impairment	Individually assessed for impairment	\$ 26,892	\$ 3,803	\$ 1,177,944	\$ 117,166
	Collectively assessed for impairment	1,655,812	73,632	1,945,801	89,021
With no objective evidence of impairment	Collectively assessed	11,209,700	59,983	10,246,666	70,057

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

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

11) Analysis of impairment for financial assets

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

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

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

a) The maturity analysis of financial assets and liabilities

	December 31, 2014					Total
	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	
<u>Assets</u>						
Cash and cash equivalents	\$ 8,973,635	\$ 105,021	\$ 192,000	\$ 206,000	\$ -	\$ 9,476,656
Due from the Central Bank and other banks	57,923,539	1,113,144	1,189,456	2,697,045	4,337,269	67,260,453
Financial assets at fair value through profit or loss	16,885,505	19,705	67,346	247,461	1,153,119	18,373,136
Securities purchased under resell agreements	25,552,820	797,761	-	-	-	26,350,581
Receivables	6,813,814	1,320,932	1,606,552	3,117,726	1,956,646	14,815,670
Available-for-sale financial assets	-	200,009	-	471,944	13,027,532	13,699,485
Discounts and loans	16,052,781	15,161,674	35,144,098	46,231,792	147,608,890	260,199,235
Held-to-maturity investments	-	-	27,276	-	493,990	521,266
Debt instruments with no active market	-	339,954	2,006,612	7,907,357	34,868,069	45,121,992
Financial assets carried at cost	-	-	-	-	515,451	515,451
Other financial assets - others	9,352,315	1,592,254	-	-	57,345	11,001,914
	<u>141,554,409</u>	<u>20,650,454</u>	<u>40,233,340</u>	<u>60,879,325</u>	<u>204,018,311</u>	<u>467,335,839</u>
<u>Liabilities</u>						
Call loans and due to banks	2,109,785	1,723,559	2,092,100	239,300	-	6,164,744
Financial liabilities at fair value through profit or loss	84,636	21,105	65,708	39,457	178	211,084
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
	<u>67,138,857</u>	<u>55,758,907</u>	<u>64,046,240</u>	<u>101,712,420</u>	<u>158,777,183</u>	<u>447,433,607</u>
Net liquidity gap	<u>\$ 74,415,552</u>	<u>\$ (35,108,453)</u>	<u>\$ (23,812,900)</u>	<u>\$ (40,833,095)</u>	<u>\$ 45,241,128</u>	<u>\$ 19,902,232</u>

	December 31, 2013					Total
	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	
Assets						
Cash and cash equivalents	\$ 7,190,960	\$ 105,000	\$ 192,000	\$ 206,000	\$ -	\$ 7,693,960
Due from the Central Bank and other banks	61,998,949	969,979	1,144,980	2,438,450	4,321,694	70,874,052
Financial assets at fair value through profit or loss	7,985,111	1,458	320,998	298,856	1,256,834	9,863,257
Securities purchased under resell agreements	17,806,782	2,423,737	-	-	-	20,230,519
Receivables	5,540,820	1,982,917	2,128,634	3,387,032	979,459	14,018,862
Available-for-sale financial assets	50,039	-	219,282	726,956	7,503,915	8,500,192
Discounts and loans	14,243,314	11,881,784	29,415,816	42,537,260	134,588,854	232,667,028
Held-to-maturity investments	5,101	198,944	-	89,854	134,118	428,017
Debt instruments with no active market	-	133,356	402,136	2,394,048	45,587,170	48,516,710
	<u>114,821,076</u>	<u>17,697,175</u>	<u>33,823,846</u>	<u>52,078,456</u>	<u>194,372,044</u>	<u>412,792,597</u>
Liabilities						
Call loans and due to banks	106,832	-	2,000,000	2,817,779	-	4,924,611
Financial liabilities at fair value through profit or loss	5,902	3,105	2,828	4,171	-	16,006
Securities sold under repurchase agreements	17,504,555	7,078,102	-	-	-	24,582,657
Payables	2,653,349	859,693	525,690	110,613	18,803	4,168,148
Deposits and remittance	33,101,655	38,885,529	54,622,162	90,736,571	147,774,244	365,120,161
Bank debentures	-	-	-	-	7,400,000	7,400,000
	<u>53,372,293</u>	<u>46,826,429</u>	<u>57,150,680</u>	<u>93,669,134</u>	<u>155,193,047</u>	<u>406,211,583</u>
Net liquidity gap	<u>\$ 61,448,783</u>	<u>\$ (29,129,254)</u>	<u>\$ (23,326,834)</u>	<u>\$ (41,590,678)</u>	<u>\$ 39,178,997</u>	<u>\$ 6,581,014</u>

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

	December 31, 2014					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
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	<u>102,172,972</u>	<u>1,897,756</u>	<u>430,151</u>	<u>134,831</u>	<u>-</u>	<u>104,635,710</u>
Subtotal	80,829	(18,399)	(5,109)	2,543	-	59,864
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	<u>\$ 80,829</u>	<u>\$ (18,399)</u>	<u>\$ (5,109)</u>	<u>\$ 2,543</u>	<u>\$ -</u>	<u>\$ 59,864</u>

	December 31, 2013					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	\$ 5,303,323	\$ 477,929	\$ 414,710	\$ 10,347	\$ -	\$ 6,206,309
Cash inflow	<u>5,298,468</u>	<u>475,043</u>	<u>413,292</u>	<u>10,257</u>	<u>-</u>	<u>6,197,060</u>
Subtotal	4,855	2,886	1,418	90	-	9,249
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	939	-	-	-	-	939
	<u>\$ 5,794</u>	<u>\$ 2,886</u>	<u>\$ 1,418</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 10,188</u>

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

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

	December 31, 2013					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Derivative financial liabilities to be settled at net amounts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and processes

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

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

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

3) Market risk management framework

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

4) Market risk measurement, control and reporting

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

5) Market risk measurement of trading book

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

6) Banking book market risk

a) Interest rate risk

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

The earnings viewpoint mainly emphasizes the impact of interest rates on earnings, especially short-term earnings. For 2014 and 2013, 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 \$219,359 thousand and \$186,077 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, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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
December 31, 2013			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 1,875,249	29.95	\$ 56,163,708
JPY	4,374,934	0.2852	1,247,897
GBP	4,108	49.4984	203,339
AUD	88,478	26.7184	2,363,990
HKD	104,187	3.8626	402,435
CAD	10,579	28.13	297,587
CNY	289,469	4.9437	1,431,052

(Continued)

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
SGD	\$ 1,887	23.6871	\$ 44,698
ZAR	782,339	2.8624	2,239,398
CHF	383	33.6554	12,890
THB	106	0.913	97
NZD	25,806	24.5979	634,774
EUR	16,513	41.2831	681,708

Financial liabilities

USD	1,517,860	29.95	45,459,907
JPY	4,552,288	0.2852	1,298,486
GBP	4,094	49.4984	202,646
AUD	88,386	26.7184	2,361,532
HKD	103,774	3.8626	400,840
CAD	10,596	28.13	298,065
CNY	287,840	4.6797	1,347,005
SGD	1,870	23.6871	44,295
ZAR	782,213	2.8624	2,239,038
CHF	350	33.6554	11,779
NZD	25,836	24.5979	635,512
EUR	15,435	41.2831	637,204

(Concluded)

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, 2014	
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity Tier Ratio		\$ 26,380,471	\$ 26,284,281
	Other Tier capital		-	-
	Tier 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 = 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, 2013	
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		\$ 23,562,741	\$ 23,436,734
	Other Tier 1 capital		-	-
	Tier 2 capital		6,624,701	9,229,142
	Eligible capital		30,187,442	32,665,876
Risk-weighted assets	Credit risk	Standard	190,948,228	199,611,322
		Internal rating-based approach	-	-
		Asset securitization	1,219,545	1,252,907
	Operational risk	Basic indicator approach	15,405,625	17,706,850
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	9,234,588	10,280,113
		Internal model approach	-	-
Total risk-weighted assets			216,807,986	228,851,192
Capital adequacy rate			13.92	14.27
Ratio of common stockholders' equity to risk-weighted assets			10.87	10.24
Ratio of Tier 1 capital to risk-weighted assets			10.87	10.24
Leverage ratio			4.47	4.38

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = 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 5.5% and the Common Equity Tier 1 Ratio at a minimum of 4.0%. 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 6.

2) Concentration of credit extensions

(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

(In Thousands of New Taiwan Dollars, %)

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

b. Market risk

**Interest Rate Sensitivity
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%)

December 31, 2013

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 310,119,147	\$ 4,874,228	\$ 9,110,013	\$ 19,943,749	\$ 344,047,137
Interest rate-sensitive liabilities	159,009,333	122,146,689	52,011,556	16,946,983	350,114,561
Interest rate-sensitive gap	151,109,814	(117,272,461)	(42,901,543)	2,996,766	(6,067,424)
Net worth					19,305,784
Ratio of interest rate-sensitive assets to liabilities					98.27%
Ratio of interest rate sensitivity gap to net worth					(31.43%)

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, 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%

December 31, 2013

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 203,657	\$ 54,156	\$ 81,256	\$ 1,648,049	\$ 1,987,118
Interest rate-sensitive liabilities	1,029,522	413,099	245,649	-	1,688,270
Interest rate-sensitive gap	(825,865)	(358,943)	(164,393)	1,648,049	298,848
Net worth					344,770
Ratio of interest rate-sensitive assets to liabilities					117.70%
Ratio of interest rate sensitivity gap to net worth					86.68%

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	
		2014	2013
Return on total assets	Before income tax	0.80	0.79
	After income tax	0.67	0.68
Return on equity	Before income tax	12.16	12.50
	After income tax	10.23	10.74
Net income ratio		34.96	33.82

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, 2014 and 2013.

2) Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities
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)

December 31, 2013

(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	\$ 376,406,219	\$ 121,158,363	\$ 17,247,970	\$ 32,611,679	\$ 52,610,070	\$ 152,778,137
Main capital outflow on maturity	433,976,847	42,714,593	37,825,509	45,500,635	93,957,585	213,978,525
Gap	(57,570,628)	78,443,770	(20,577,539)	(12,888,956)	(41,347,515)	(61,200,388)

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, 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

December 31, 2013

(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	\$ 2,509,198	\$ 638,507	\$ 29,290	\$ 55,522	\$ 91,098	\$ 1,694,781
Main capital outflow on maturity	2,509,115	983,840	405,951	527,642	246,912	344,770
Gap	83	(345,333)	(376,661)	(472,120)	(155,814)	1,350,011

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 - Table 2 (attached)
 - 3) Marketable securities held: The Bank - not applicable; investee - Table 3 (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: The Bank - none; investee - Table 4 (attached)
 - 6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least \$5 million: None
 - 8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: None
 - 9) Sale of nonperforming loans: Table 5 (attached)
 - 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 6 (attached)
 - 12) Names, locations and other information of investees on which the Bank exercises significant influence: Table 7 (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, 2014
 (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 Amounts	Reasons 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	\$ 587,616 (JPY 2,216,300)	\$ 496,145 (JPY 1,871,300)	\$ 496,145 (JPY 1,871,300)	1.5	Short-term financing	\$ -	Purchase operating leasing assets	\$ -	-	\$ -	\$ 917,737	\$ 917,737
2	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Affiliates of receivable	962,833 (JPY 3,630,300 US\$ 10)	962,833 (JPY 3,630,300 US\$ 10)	962,833 (JPY 3,630,300 US\$ 10)	1.5	Short-term financing	-	Purchase operating leasing assets	-	-	-	2,294,342	2,294,342
3	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Affiliates of receivable	368,125 (JPY 1,388,450)	368,125 (JPY 1,388,450)	368,125 (JPY 1,388,450)	1.50-2.75	Short-term financing	-	Purchase operating leasing assets	-	-	-	2,294,342	2,294,342

UNION BANK OF TAIWAN

ENDORSEMENTS/GUARANTEES PROVIDED

DECEMBER 31, 2014

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

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Actual Borrowing Amount	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity Per the Latest Financial Statements	Aggregate Endorsement/Guarantee Limit	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
1	Union Capital (Cayman) Corp.	Union Finance and Leasing International Corporation	Subsidiary	\$ 464,740	\$ 400,000	\$ -	\$ -	\$ -	-	\$ 464,740	N	Y	N

TABLE 3

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

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

Holding Company	Type and Issuer/ Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	<u>Stock</u>							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	882	\$ 8,820	0.06	\$ 8,820	Note 4
	China Chemical Corporation	-	Available-for-sale financial assets	356	7,271	0.12	7,271	Note 4
	Taiwan Life Insurance Co., Ltd.	-	Available-for-sale financial assets	2,593	48,626	0.25	48,626	Note 4
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	464,740	100.00	464,740	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	79,986	100.00	79,986	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33	7,009	Note 1
	<u>Beneficial certificates</u>							
	Union Advantage Global FI Portfolio Fund	-	Available-for-sale financial assets	5,074	78,481	-	78,481	-
	Union EmERGE Res-rich Countries HYBd B	-	Available-for-sale financial assets	5,898	56,730	-	56,730	-
Union Information Technology Corporation	<u>Stock</u>							
	ELTA Technology Co., Ltd.	-	Unquoted equity instruments	2,382	23,240	15.88	34,164	Note 3
Union Securities Investment Trust Corporation (USITC)	<u>Beneficial certificates</u>							
	Union Advantage Global FI Portfolio Fund	-	Financial assets at fair value through profit or loss	1,068	16,516	-	16,516	-
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	1,297	15,254	-	15,254	-
	Union Emerging Asia Bond A	-	Financial assets at fair value through profit or loss	486	5,285	-	5,285	-
	Union Money Market	-	Financial assets at fair value through profit or loss	1,459	18,940	-	18,940	-
	Union Golden Balance Fund	-	Financial assets at fair value through profit or loss	575	8,643	-	8,643	-
	Union EmERGE Res-rich Countries HYBd A	-	Financial assets at fair value through profit or loss	800	8,116	-	8,116	-
	Union China	-	Financial assets at fair value through profit or loss	1,006	19,106	-	19,106	-
	Union Technology Fund	-	Financial assets at fair value through profit or loss	1,460	13,404	-	13,404	-
	Union APEC Balanced A	-	Financial assets at fair value through profit or loss	1,001	10,686	-	10,686	-
Union Finance International (HK) Limited	<u>Bond</u>							
	HBOS Capital Funding LP	-	Available-for-sale financial assets	900	US\$ 905	-	US\$ 905	-
	PHBS Ltd.	-	Available-for-sale financial assets	500	US\$ 487	-	US\$ 487	-
	<u>Stock</u>							
	ING Group N.V.	-	Available-for-sale financial assets	33	US\$ 847	-	US\$ 847	Note 4
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	3	US\$ 500	-	US\$ 500	Note 4
	Merck & Co., Inc.	-	Financial assets at fair value through profit or loss	12	US\$ 500	-	US\$ 500	Note 4
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US\$ 500	-	US\$ 500	Note 4
	Penn West Energy	-	Financial assets at fair value through profit or loss	119	US\$ 2,111	-	US\$ 2,111	Note 4

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
New Asian Ventures Ltd.	<u>Stock</u> Grace T.H.W. Holding Limited	-	Unquoted equity instruments	1,667	\$ 64,320	0.81	US\$ 2,800	Note 2
Union Capital (Cayman) Corp.	<u>Beneficial certificates</u> Union Capital (Singapore) Holding PTE. LTD.	-	Equity investment - equity method	-	JPY (10,690)	100.00	JPY (10,690)	Note 5
Union Capital (Singapore) Holding PTE. LTD.	<u>Beneficial certificates</u> Kabushiki Kaisha UCJ1 Tokutei Mokuteki Kaisha SSG15	-	Equity investment - equity method	9	JPY 457,152	100.00	JPY 457,152	Note 5
		-	Equity investment - equity method	-	JPY 1,776,951	49.00	JPY 1,776,951	Notes 5 and 6
Kabushiki Kaisha UCJ1	<u>Beneficial certificates</u> Tokutei Mokuteki Kaisha SSG15	-	Equity investment - equity method	Preferred stock 37	JPY 1,849,272	51.00	JPY 1,849,272	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, 2013.
- b. New Asian Ventures Ltd. and Union Capital (Cayman) Corp. - the audited statements of stockholders' equity as of December 31, 2014.

Note 2: New Asian Ventures Ltd.:

Grace T.H.W. Holding Limited - unaudited statements of stockholders' equity as of December 31, 2014.

Note 3: Union Information Technology Corporation:

ELTA Technology Co., Ltd. - unaudited statements of stockholders' equity as of December 31, 2014.

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. and Kabushiki Kaisha UCJ1 - unaudited statements of stockholders' equity as of September 30, 2014. Tokutei Mokuteki Kaisha SSG15 - audited statements of stockholders' equity as of September 30, 2014.

Note 6: Common stock 4 shares and preferred stock 36 thousand shares.

(Concluded)

UNION BANK OF TAIWAN

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2014

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

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is a Related Party				Pricing Reference (Note 1)	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Tokutei Mokuteki Kaisha SSG15	Investment property - land and buildings	2014.9.17	JPY 3,450,000	JPY 3,450,000	合同会社セ-ス	Non-relate	N	N	N	\$ -	By appraisal report	Operating leasing assets	Note 2

Note 1: The appraisal amount of the investment property was JPY3,620,000 thousand and JPY3,520,000, based on the valuations made by different independent qualified professional appraisers.

Note 2: In a real estate securitized preferred stock issued by Tokutei Mokuteki Kaisha SSG15, Union Capital (Singapore) Holding PTE. LTD. (owned by Union Capital (Cayman) Corp.) and Kabushiki Kaisha UCJ invested JPY1,778,900 thousand and JPY1,851,300 thousand, respectively, and acquired equity interests of 49% and 51%, respectively.

UNION BANK OF TAIWAN

SALE OF NONPERFORMING LOANS

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Transaction Date	Transaction Partners	Composition of Creditor's Right	Carrying Value (Note 1)	Sale Price	Disposal Loss (Note 2)	Collateral	Relationship
2014.04.17	Deutsche Bank AG London Branch Bank of America, National Association	Business loan Business loan	\$ 211,138 234,388	\$ 180,567 198,761	\$ (30,571) (35,627)	- -	- -

Note 1: Carrying value was original amount of credit reduced by allowance for credit loss.

Note 2: Include exchange loss.

UNION BANK OF TAIWAN

ASSET QUALITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2014					
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 91,241	\$ 68,956,431	0.13%	\$ 1,267,128	1,020.89%	
	Unsecured	32,878	53,812,643	0.06%			
Consumer banking	Housing mortgage (Note 4)	58,055	113,818,594	0.05%	1,079,016	1,858.61%	
	Cash card	1,508	116,389	1.30%	4,697	311.47%	
	Small scale credit loans (Note 5)	23,240	8,851,061	0.26%	83,909	361.05%	
	Other (Note 6)	Secured	16,587	12,440,740	0.13%	132,364	795.36%
		Unsecured	55	2,203,377	-		
Loan		223,564	260,199,235	0.09%	2,567,114	1,148.27%	
		Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	
Credit cards		33,603	12,611,962	0.27%	123,019	366.10%	
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

Types	December 31, 2014	
	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 106,998	\$ 451,394
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	59,687	926,859
Total	166,685	1,378,253

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

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

(Continued)

Period		December 31, 2013				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 558,269	\$ 64,031,114	0.87%	\$ 1,125,846	194.43%
	Unsecured	20,794	39,655,589	0.05%		
Consumer banking	Housing mortgage (Note 4)	49,239	110,096,437	0.04%	1,195,443	2,427.84%
	Cash card	4,863	163,041	2.98%	9,280	190.83%
	Small scale credit loans (Note 5)	19,482	6,996,991	0.28%	75,974	389.97%
	Other (Note 6)	Secured	21,204	10,037,162	0.21%	117,893
Unsecured		613	1,686,694	0.04%		
Loan		674,464	232,667,028	0.29%	2,524,436	374.29%
		Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards		40,506	11,695,827	0.35%	133,906	330.58%
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: $\text{Nonperforming loans} \div \text{Outstanding loan balance}$.
Ratio of nonperforming credit card receivables: $\text{Nonperforming credit card receivables} \div \text{Outstanding credit card receivables balance}$.

Note 3: Coverage ratio of loans: $\text{Allowance for possible losses for loans} \div \text{Nonperforming loans}$.
Coverage ratio of credit card receivables: $\text{Allowance for possible losses for credit card receivables} \div \text{Nonperforming credit card receivables}$.

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

Types	Items	December 31, 2013	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)		\$ 143,389	\$ 608,707
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)		67,241	992,419
Total		210,630	1,601,126

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

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

(Concluded)

TABLE 7

UNION BANK OF TAIWAN

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEEES

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	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 (%)	
<u>Financial-related</u>										
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	\$ 2,294,342	\$ 122,329	83,000	-	83,000	100.00	Note 1
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	81,269	1,699	30,000	-	30,000	99.99	Note 1
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00	144,819	15,987	10,500	-	10,500	35.00	Note 1
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00	25,237	10,802	500	-	500	100.00	Note 1
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99	16,468	9,288	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		10,774	-	10,774	2.39	
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	13,916		815	-	815	0.24	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.08	71,250		5,906	-	5,906	2.08	
Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.10	6,000		600	-	600	1.10	
<u>Nonfinancial-related</u>										
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	54,183	(111)	2,000	-	2,000	40.00	Note 1
Fu Hua Venture Corporation	Taipei	Investments	5.00	16,452		1,650	-	1,650	5.00	
Jiao Da Venture Corporation	Taipei	Investment	5.00	637		134	-	134	5.00	
Li Yu Venture Corporation	Taipei	Investment	4.76	6,437	-	855	-	855	4.76	
Lian An Service Corporation	Taipei	Security service	5.00	1,501	-	125	-	125	5.00	
Taiwan Power Corporation	Taipei	Electricity-related business	0.0012	6,124	-	395	-	395	0.0012	

Note 1: The investees' information shown above is based on audited financial reports as of December 31, 2014.

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.