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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.

2015 Annual Report



Shih-Sheng Sung
Authorized by Union Culture Foundation



I. Spokesman

Name: Mr. Herman Tu / Title: Senior Executive Vice President

Tel.: 02-27180001

E-mail: herman_tu@ubot.com.tw

Second Spokesman

Name: Mr. Yanger Yang / Title: Department Manager

Tel.: 02-27180001

E-mail: yanger_yang@ubot.com.tw

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

Please refer to page 153 ~156.

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: 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 2015

(1) Domestic and International Financial Environment

The global economy had performed below expectations in 2015 due largely to the lack of recovery in advanced nations and slowing growth of emerging nations. Impact from the slowdown of the Chinese economy was especially significant, and most Asian currencies underwent devaluation in light of the U.S. Rate hike. The Euro, on the other hand, gained in value as the European Central Bank undertook expansionary measures that were less intensive than what the market had anticipated. Overall, the global economy and stock markets opened strong in the beginning and retracted for the rest of the year.

Weak recovery of the global economy coupled with increasing competition from Chinese manufacturers and international brands had resulted in losses of domestic and foreign demands. In terms of Investment, local banks have suffered losses from the falling prices of oil, commodities, and stock markets around the world, but are also compelled at the same time to commit resources into overseas M&A and electronic banking. Given the underwhelming outlook of the global economy and the need to make additional provisions to cover housing loans and market risks in China, there is little profit improvement to be expected from local banks, despite their growing business activities.

(2) Changes in Bank Organization

The Bank now operates 90 domestic branches with the addition of a new branch in 2015.

(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 2015. With regard to profitability, the Bank reported an after-tax net income of NT\$ 3.121 billion for the year ended December 31, 2015, representing a growth of 0.88% against 2014; earnings per share (EPS) was NT\$1.2, return on assets (ROA) was 0.63% and return on equity (ROE) was 9.33%; The Bank was able to maintain sound asset quality, reporting an NPL ratio of 0.05% and bad debt coverage ratio of 1839.97%.

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 7, 2016, 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 outperformed the indigenous banks average on several other indicators.

Letter to Shareholders

(4) Revenue/Expenditure and Profitability

For the year ended December 31, 2015, the Bank reported a net interest income of NT\$ 6.170 billion, net non-interest income of NT\$3.452 billion and net profit of NT\$ 9.622 billion, representing an increase of NT\$0.772 billion or 8.73% against NT\$8.479 billion for the previous year; after adding reversal of bad debts totaling NT\$114 million and deducting operating expenses totaling NT\$5.979 billion, the before-tax income amounted to NT\$3.757 billion for year 2015, which represents an increase of NT\$81.86 million or 2.23% against 2014's.

2. Credit Rating

Rating Agency	Date of Rating	Rating Results		Outlook
Taiwan Ratings Corporation	Jan. 7, 2016	Long-Term: twA	Short-Term: twA-1	Stable

3. 2016 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: Explore value-adding deposit services (e.g.: debit card, cardless ATM withdrawals) to enhance customers' relationships with the Bank. Introduce domestic electronic payment and Cash Outbound services to complement customers' existing payment options. Source current deposits and new customers by offering deposit packages for different customers (e.g.: "Privileged rates for large-sum current deposits," "Privileged deposit package for civil servants," "Privileged current savings deposit," and "Privileged rates for collection account holders).
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; 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, 2015, the Bank has installed a total 736 ATMs to service our clients.
3. In an attempt to achieve optimal scale and satisfy customers' needs to a greater extent, the company acquired the approval of Financial Supervisory Commission in 2015 to set up 3 securities branches. The Daye and Xingzhong Branches were recently opened for businesses in January 2016, whereas Fuqiang Branch is scheduled to open at the end of April 2016.

4.

(3) The Bank's 2016 business goals

1. Deposits expect to reach NT\$ 459.1 billion by the end of 2016.
2. Loans expect to reach NT\$ 281.3 billion (excluding credit cards) by the end of 2016.
3. Foreign exchange turnover is forecasted to reach US 4.675 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..
5. With the support of our shareholders and employees, we aim to take our performance to the next level and meet the public's expectations, for which we seek the continual support and guidance of our shareholders.

4. External Factors and Future Development Strategies

Letter to Shareholders

Although the world's economic outlook remains positive in 2016, the major economies seem to be progressing in different directions, whereas slowdown of the Chinese economy poses a particular concern to Taiwan's economic outlook. Since investment returns are unlikely to recover in the future, we expect businesses to be more conservative about their funding activities. The Financial Supervisory Commission has been actively opening up new OBU services and allowing banks to invest into financial technology businesses; these deregulations will provide local banks with the incentives to explore overseas lending and syndicated loans in 2016, and the ability to expand and develop competitiveness through direct M&A in the overseas market.

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

李憲章



Chairman Shiang-Chang Lee

總經理

林鴻軒



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 2015 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

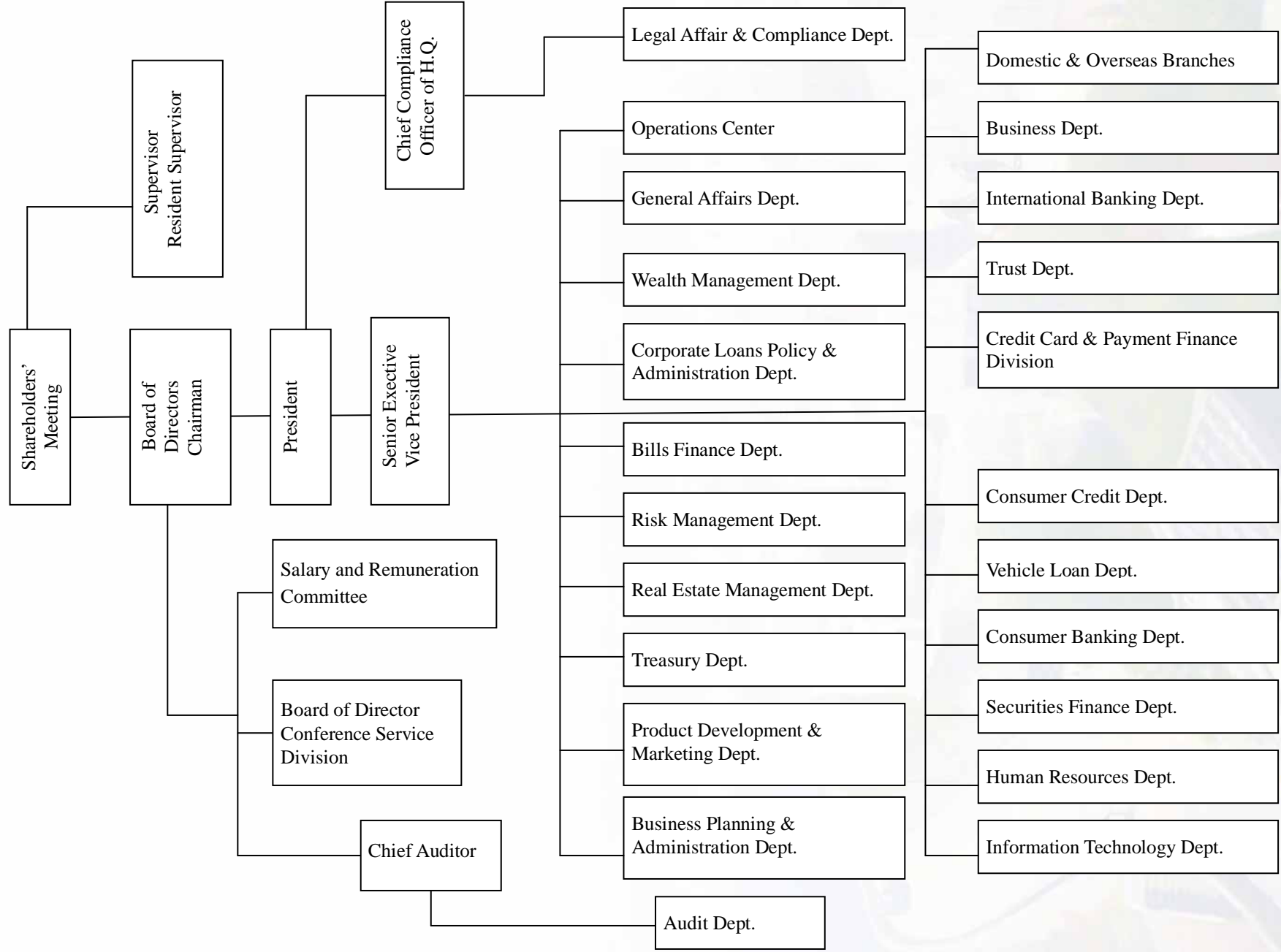
The Bank is a commercial bank limited by shares, but not a member of a financial holding company.

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 2015 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, 2016 (Shares Holding Recordation Date: April 10, 2016)

Unit: Shares ; %: Notel

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	2015.06.26	3 Yrs	1991.12.10	1,273,528	0.05%	1,349,939	0.05%	2,116,949	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	2015.06.26	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	2015.06.26	3 Yrs	2012.06.22	117,952,491	4.81%	125,029,640	4.79%	2,598,056	0.09%	-	-	National Defense Medical School; Commissioner of International Rotary Club	-	None	None	None
Independent Director	Zen-Fa Lu	2015.06.26	3 Yrs	2009.06.19	-	-	-	-	-	-	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute; Prosecutor General of Supreme Prosecutors Office	-	None	None	None
Independent Director	Guo-Zhang Li	2015.06.26	3 Yrs	2015.06.26	28,802	-	30,530	-	-	-	-	-	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-Quan Lee	2015.06.26	3 Yrs	2009.06.19	3,319,828	0.13%	3,519,017	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.;	None	None	None
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	2015.06.26	3 Yrs	1991.12.10	85,755,684	3.49%	90,901,025	3.48%	5,594,725	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	Yu-Pang Co., Ltd. Representative: Sue-Feng Tsao	2015.06.26	3 Yrs	1994.06.01	35,823,584	1.46%	37,972,999	1.45%	3,535	-	-	-	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	2015.06.26	3 Yrs	2012.06.22	89,135,105	3.63%	97,059,211	3.72%	-	-	-	-	Taipei Technical Academy; Director of Li-Chang Ceramics Co., Ltd.	Director of Li-Chang Ceramics Co., Ltd.	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	Pao-Shing Investment Co., Ltd. Representative: (temporarily in vacancy)	2015.06.26	3 Yrs	2006.06.09	85,815,817	3.50%	90,964,766	3.49%	-	-	-	-			Nobe	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	2015.06.26	3 Yrs	2015.06.26	125,454,092	5.11%	132,981,337	5.10%	1,789,696	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

Corporate Governance

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	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)	

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		√	√	√	√	√	√	√	√	√	√	√	√	-
Guo-Zhang Li			√	√	√	√	√	√	√	√	√	√	√	-
Jin-Fu Liu			√	√	√	√	√	√		√	√	√		-
Yu-Quan Lee			√	√	√	√	√	√		√	√	√	√	-
Jeff Lin			√			√		√		√	√	√		-
Sue-Feng Tsao			√	√	√	√	√			√	√	√		-
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’s affiliated enterprises (Does not include the independent directors of the Bank’s 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

Corporate Governance

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	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	3	Yes
Chairman	Shiang-Chang Lee	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Independent Managing Director	Kao-Jing Wang	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	3	Yes
Independent Managing Director	Kao-Jing Wang	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Managing Director	Zhen-Xong Jiang	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	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				
Managing Director	Zhen-Xong Jiang	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Independent Director	Zen-Fa Lu	2015.07.08	2015.07.08	Securities and Futures Institute	Insider Trading Shares of listed Companies Legal Compliance Seminar	3	Yes
Independent Director	Zen-Fa Lu	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Independent Director	Guo-Zhang Li	2015.08.25	2015.08.25	Securities and Futures Institute	Board of Directors Practices and Corporate Governance Advanced Workshop (Analysis and Decision Making of Corporate Financial Information)	3	Yes
Independent Director	Guo-Zhang Li	2015.08.27	2015.08.27	Securities and Futures Institute	Board of Directors Practices and Corporate Governance Advanced Workshop (Strategies to tackle Cross-border tax inspection)	3	Yes
Independent Director	Guo-Zhang Li	2015.09.15	2015.09.15	Taiwan Academy of Banking and Finance	Corporate Governance Seminar-Legal Responsibility of Directors and Supervisor	3	Yes
Independent Director	Guo-Zhang Li	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Director	Jin-Fu Liu	2015.07.08	2015.07.08	Securities and Futures Institute	Insider Trading Shares of listed Companies Legal Compliance Seminar	3	Yes
Director	Jin-Fu Liu	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	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	Yu-Quan Lee	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	3	Yes
Director	Yu-Quan Lee	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Director	Jeff Lin	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	3	Yes
Director	Jeff Lin	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Director	Sue-Feng Tsao	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	3	Yes
Director	Sue-Feng Tsao	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Resident Director	Jia-Yi Wang	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	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	Zhen-Lu Lin	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	3	Yes
Director	Zhen-Lu Lin	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes
Supervisor	Si-Yong Lin	2015.05.18	2015.05.18	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Corporate social responsibility to start the future competitive advantage of business)	3	Yes
Director	Si-Yong Lin	2015.12.07	2015.12.07	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Unveiled the company's financial statements)	3	Yes

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

Recordation Date: March 31, 2016 (Shares Holding Recordation Date: April 10, 2016)

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
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Corporate Governance

			Share	%	Share	%	Share	%			Title	Name	Relation
President	LIN, HONG-LIAN (Jeff Lin)	2006.08.02	5,594,725	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	385,753	0.01%	0	0	0	0	Tamkang University; EVP of UBOT	Supervisor of Union Finance & Leasing (International) Co., Ltd., Supervisor of Union Information Technology Co., Ltd., Supervisor of	None	None	None
SEVP & GM of Risk Management Dept.	TU, HER-MAN (Herman Tu)	2006.07.01	233,506	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	42,749	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	34,874	0	0	0	0	0	National Chiao Tung University; VP & Branch Manager of E. Taipei Branch of UBOT	-	None	None	None
Chief Compliance Officer and VP & GM of Legal Affair and Compliance Dept.	KAO, YAO-TSUNG (Yan-Tsung Kao)	2009.04.01	43,497	0	0	0	0	0	Soochow University VP & Branch Manager of Fucheng 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
EVP & GM of Vehicle Loan Department	HSIEH CHENG-JUH (Cheng-Juh Hsieh)	2011.04.01	312,139	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
EVP & GM of Consumer Banking Dept.	HSIA, KUO – HSIEN (Kuo-Shien Shia)	2005.06.27	34,440	0	10,037	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	110,330	0	0	0	0	0	Panchiao Senior High School; VP & Branch Manager of Hsinchung Branch of UBOT	-	None	None	None
SVP & GM of Business Planning & Admin. Dept.	YANG, CHU-CHANG (Yanger Yang)	2006.06.22	31,425	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. Director of Euroc III Venture Capital. Corp.	None	None	None
VP & GM of Consumer Credit Dept.	TANG, PI-CHIU (Joy Tang)	2004.03.22	66,361	0	0	0	0	0	Master's Degree, Memphis State University; VP & Deputy GM of Consumer Banking 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 & GM of Trust Dept.	TSAI, HANN-TSAU (Hann-Tsau Tsai)	2006.06.22	253,012	0	2,005	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	26,283	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
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	87,809	0	0	0	0	0	Feng Jia University Manager of Union Bills Finance Corp.	-	None	None	None
VP & GM of Treasury Dept.	CHENG, WEN-CHIH (Spencer Chen)	2016.03.16	19,600	0	0	0	0	0	Feng Jia University; AVP & Division Head of Treasury Dept	-	None	None	None
VP & GM of Corporate Loans Policy & Admin. Dept.	LIU, CHUEH-LING	2014.4.01	31,913	0	0	0	0	0	Master's degree, George Washington University Deputy GM of Corporate Loans Policy & Admin Dept.	-			

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 Real Estate Management Dept.	LI, JUN-NAN (Michael Lee)	2004.03.05	21,621	0	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.	KAO, YI-CHUN (June Kao)	2015.08.01	6,275	0	0	0	0	0	0	National Cheng Chi University; AVP & Division Head of Wealth Management Dept.	-	None	None	None
VP & GM of Information Technology Dept.	YANG, FENG-JUNG (Luke Yang)	2006.07.01	90,833	0	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	31,995	0	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	137,041	0	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	23,598	0	2,149	0	0	0	0	National Cheng Chi University; AVP of Hsintien 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 & GM of International Banking Department	TSENG, MENG -YUN (Connie Tseng)	2010.09.01	20,499	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	53,148	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 & Branch Manager of Taipei Branch	YU, LIN-SHENG (Lin-Sheng Yu)	2008.05.05	12,103	0	0	0	0	0	National Taiwan Ocean University; VP & Branch Manager of Luchou Branch	-	None	None	None
VP & GM of Business Dept	Jen-Chung Cheng	2013.05.16	24,651	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	43,360	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	62,820	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	22,425	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	164,851	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	Chia-Wei Lin	2015.11.16	13,792	0	0	0	0	0	Tung Hai University; VP & Branch Manager of Breeze Mini Branch	-	None	None	None
VP & Branch Manager of East Taipei Branch	Zhi-Zhong Zhang	2010.12.01	31,173	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	22,783	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	15,455	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	22,796	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	15,932	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	66,932	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	Ru-Ji Cheng	2016.3.21	19,169	0	0	0	0	0	Feng Chia University; VP & 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 Hsinchu Branch	Denfer Hung	2009.12.06	25,486	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	20,783	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 Chiuju Branch	Fen-Ju Chen	2015.08.01	4,650	0	0	0	0	0	National Taipei Junior College of Commerce; VP of Chiuju Branch	-	None	None	None
VP & Branch Manager of Shuanho Branch	Chang-Chen Lin	2012.07.09	16,230	0	0	0	0	0	National Taiwan University VP & Branch Manager of Hsintien Branch	-	None	None	None
VP & Branch Manager of Hueilong Branch	Fupin Liang	2016.03.21	383	0	0	0	0	0	National Taiwan University; VP & Manager of Taipei Corporate Banking Center	-	None	None	None
VP & Branch Manager of Chiayi Branch	Liang- Kuei Kuo	2013.08.12	0	0	0	0	0	0	Master of 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	18,643	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	35,851	0	8,797	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	54,579	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	43,355	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	24,074	0	18,000	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	72,402	0	16,422	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	40,095	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	6,026	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	20,554	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	15,984	0	0	0	0	0	Shih Chien University, Manager of Business Dept.	-	None	None	None
VP & Branch Manager of Wenshin Branch	Amy Chung	2009.01.01	27,678	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	20,006	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	Ming-Chung Guo	2016.04.01	0	0	0	0	0	0	Master's Degree, National Cheng Kung University VP & Corporate Finance of ESUN Bank	-	None	None	None
VP & Branch Manager of Neihu Branch	CM Hwang	2011.11.01	347,310	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	16,756	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	19,399	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	47,045	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	13,800	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	15,765	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	Sheng-Hsiu Chou	2015.11.16	9,786	0	0	0	0	0	National Taipei College of Commerce; Head of Jenai Consumer loan center, Consumer Banking Dept	-	None	None	None
VP & Branch Manager of Changchun Branch	Patty Chen	2013.03.21	13,383	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	107,273	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	14,947	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	38,618	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	150,402	0	0	0	0	0	Takming College; VP & Deputy GM of Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Tungmen Branch	Cooper Kao	2015.11.16	44,139	0	416	0	0	0	Master's Degree, National Taipei University; Head of Chungho Loan Center Consumer Banking Dept	-	None	None	None
VP & Branch Manager of Tunhwa Branch	Gary Tsai	2013.04.01	15,249	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	Anita Hung	2016.03.21	16,565	0	513	0	0	0	Soochow University; AVP of Business Dept.Luchou 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 Beitou Mini Branch	Wen-Chi Chiang	2014.11.17	10,896	0	6,958	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	127,843	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	14,662	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	Vickie Chou	2016.03.21	25	0	0	0	0	0	Cheng Chi University; Vice President & Deputy Branch Manager of Chungho Branch	-	None	None	None
VP & Branch Manager of Fuguo Branch	Shis-Wen Lu	2005.03.19	14,184	0	7,003	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	28,744	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	34,427	0	244	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	13,137	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	53,820	0	0	0	0	0	Tamkang University; VP & Branch Manger of North Taoyuan Branch	-	None	None	None
VP & Branch Manager of North Taichung Branch	Hui-Fen Chao	2005.03.19	101,317	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	80,673	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	14,000	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	23,051	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	32,105	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	51,543	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	61,319	0	3,542	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	20,429	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	46,345	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	Alex Chiu	2015.08.01	74,200	0	0	0	0	0	Southern Taiwan University of Science Technology. Senior Manager, Esun Bank	-	None	None	None
VP & Branch Manager of Kaiyuan Branch	Roger Chang	2005.03.19	9,416	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	30,957	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	50,480	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	97,612	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	20,130	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	5,858	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	11,026	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	51,983	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	11,403	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	73,653	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	28,510	0	0	0	0	0	Hsin Wu Business College, Senior AVP, Dajhu Branch	-	None	None	None
VP & Branch Manager of Gueishan Branch	Kuo-Yi Lu	2016.03.21	7,644	0	0	0	0	0	Tamsui Oxford University College; VP & Deputy Branch Manager of Taipei Corporate Banking Center	-	None	None	None
VP & Branch Manager of Linkou Branch	Shiu-Lan Hsieh	2008.12.04	36,000	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	12,926	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	21,252	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	16,230	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	29,615	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	19,859	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	17,001	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 JiSian Branch	Shih-Fu Liu	2015.08.01	25,564	0	4,256	0	0	0	Master's degree, Fu Jen Catholic University VP & Deputy Branch Manager of JiSian Branch	-			

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 Sanxia Branch	Chia-Yu Chuo	2013.08.05	16,248	0	0	0	0	0	Master's degree, Yuan Ze University Head of Taoying Loan Center, Consumer Banking Department		None	None	
VP & Branch Manager of Donghu Branch	Chien-Chung Su	2014.01.07	11,187	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.18 to P.39 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, 2015

Title	Name	Remuneration from Investee Companies Excluding Subsidiaries												
		304	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
		Total of (A, B,C and D) as a % of Net profit after tax		All Companies in the Consolidated Statement		0.47%								
		The Bank		0.47%										
		Remuneration of Part-time Employees		Total No. of Shares Issued for Employee Stock Option (H)		All Companies in the Consolidated Statement		0						
		The Bank		0										
		Earnings Distribution for Employees' Bonus (G)	The Bank	All Companies in the Consolidated Statement		Stock Dividend		0						
				Cash Dividend		0								
		Termination payment and pension costs (F)	The Bank	All Companies in the Consolidated Statement		0								
				Cash Dividend		0								
		Salaries, Bonus and Special Allowance (E)		All Companies in the Consolidated Statement		0								
		The Bank		0										
		Total of (A,B,C and D) as a % of Net profit after tax		All Companies in the Consolidated Statement		0.47%								
		The Bank		0.47%										
		Directors' Remuneration		Costs Incurred to Perform Duties(D)		All Companies in the Consolidated Statement		2,679						
		The Bank		2,679										
		Director's Remuneration (C)		All Companies in the Consolidated Statement		3,448								
		The Bank		3,448										
		Termination payment and pension costs (B)		All Companies in the Consolidated Statement		0								
		The Bank		0										
		Remuneration (A)		All Companies in the Consolidated Statement		8,836								
		The Bank		8,836										
Chairman	Shiang-Chang Lee													
Independent Managing Director	Kao-Jing Wang													
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang													
Independent Director	Zen-Fa Lu													
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu													
Director	Yu-Quan Lee													
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin													
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai													
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao													
Resident Director	Pao-Shing Investment Co., Representative: Jia-Yi Wang													
Director	Pao-Shing Investment Co., Representative: Zhen-Lu Lin													
Director	Pai-Sheng Investment Co., Representative: Si-Yong Lin													
Independent Director	Guo-Zhang Li													

Note 1: Remuneration to the driver amounted to NT\$23,000.

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, Jia-Yi Wang, Zhen-Lu Lin, Si-Yong Lin, Guo-Zhang Li	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, Guo-Zhang Li	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, Guo-Zhang Li	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, Guo-Zhang Li
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee
Total	13	13	13	13

B. Supervisor's Remuneration

Unit: NT Dollar Thousand, December 31, 2015

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	420	420	0	0	760	760	266	266	0.04%	0.04%	Nil
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin											

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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, SEVP, Chief Compliance Officer & Chief Auditor's Remuneration and Range

Unit: NT Dollar Thousand, December 31, 2015

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	The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement		
President	Jeff Lin																Nil
SEVP	Yin-Bor Chan																
SEVP	Herman Tu																
SEVP	Cheng-Yu Liu	12,440	12,440	0	0	4,303	4,303	694	0	694	0	0.55	0.55	0	0		
Chief Auditor	Kuo-Pao Kang																
Chief Compliance Officer	Kao-Yao-Tsung																

Note1: The employee bonus to President, SEVP, Chief Auditor and Chief Compliance Officer 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)

Note2: Remuneration to the Company's three drivers totalled NT\$ 2,179,000.

Unit: NT Dollar

Range of Remuneration Paid to President, SEVP, Chief Compliance Officer & Chief Auditor	Name of President, SEVP, Chief Compliance Officer & 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, Yao-Tsung Kao	Herman Tu, Yin-Bor Chan, Cheng-Yu Liu, Kuo-Pao Kang, Yao-Tsung Kao
Total	6	6

D. Bonus to Managers :

Unit NT Dollar Thousand, Dec 31 2015

Title	Name	Stock Dividend	Cash dividend	Total	Total as % of Net Profit after Tax
Please refer Page 1* to Page 38.		0	7,986	7,986	0.25

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 2014 is NT\$30,316,000 and its ratio to net profit after tax is 0.97%.
 - B. The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2015 is NT\$32,997,000 and its ratio to net profit after tax is 1.05%.
 - 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 9 meetings in 2015. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s.
Chairman	Shiang-Chang Lee	9	0	100%	
Independent Managing Director	Kao-Jing Wang	9	0	100%	
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang	9	0	100%	
Managing Director	Jia-Yi Wang	5	0	83.33%	2015.12.7 Resignation
Independent Director	Zen-Fa Lu	8	0	88.88%	
Independent Director	Guo-Zhang Li	6	0	100%	2015.6.26 Elected
Director	Yu-Quan Lee	2	0	22.22%	
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	7	0	77.77%	
Director	Chen-Chern Investment Co., Representative: Yao-Nan Lai	1	0	33.33%	2015.6.25 Resignation
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao	8	0	88.88%	
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	9	0	100%	
Director	Zhen-Lu Lin	6	0	100%	2015.6.26 Elected
Director	Si-Yong Lin	6	0	100%	2015.6.26 Elected

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
17 th meeting/8 th Board	Jeff Lin	Donation	Stakeholder	No
17 th meeting/8 th Board	Jin-Fu Liu	Loan	Stakeholder	No
18 th meeting/8 th Board	Jeff Lin, Zhen-Xong Jiang, Yao-Nan Lai(absent), Jin-Fu Liu, Sue-Feng Tsao	Property(Parking lot) Rental	Stakeholder	No
19 th meeting/8 th Board	Jeff Lin, Zhen-Xong Jiang, Yao-Nan Lai(absent), Jin-Fu Liu, Sue-Feng Tsao	Property Rental	Stakeholder	No

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2 th meeting/9 th Board	Jeff Lin ,Zhen-Xong Jiang, Jin-Fu Liu, Sue-Feng Tsao	Property Rental	Stakeholder	No
2 th meeting/9 th Board	Jeff Lin ,Zhen-Xong Jiang, Jin-Fu Liu, Sue-Feng Tsao	Property Rental	Stakeholder	No
3 th meeting/9 th Board	Jeff Lin(absent)	Loan	Stakeholder	
4 th meeting/9 th Board	Jeff Lin(absent)	Loan	Stakeholder	

3. Measures taken to strengthen the functionality of the Board:

- (1) 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.
- (2) 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 till 2015.6.)

The Board of Directors held 3 meetings in 2015.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	3	100%	
Supervisor	Pao-Shing Investment Co., Ltd. Representative: Zhen-Lu Lin	3	100%	
Supervisor	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	3	100%	

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
17th meeting of the 8th board dated February 11, 2015	Motion from the Corporate Banking Department to review "NT\$120-million short-term secured loan application of Huilong Branch borrower - XXX Co., Ltd."	Some of the wording used in the Head Office's review opinions were inappropriate. Please exercise greater care in the choice of words for future reports	Director Jin-Fu Liu had disassociated from this agenda due to conflicting interests. The agenda was passed unanimously as proposed by all other directors present at the meeting.
18th meeting of the 8th board dated March 18, 2015	Motion from the board of directors for "Approval of Director (and Independent Director) Candidates for Board Election."	No opinions toward this agenda; however, background experience of candidate #2 was misprinted and required correction.	All directors present at the meeting had unanimously reached the following resolution: <ol style="list-style-type: none"> 1. All candidates were reviewed and passed the eligibility criteria. 2. The HR Department is authorized to proceed with the nomination through one of the nomination channels announced by the Bank. 3. All other conditions are passed as proposed without objections.
19th meeting of the 8th board dated May 13, 2015	Motion from the HR Department for "Appointment of Foreign Business Department Manager Connie Tseng as Branch Manager, and Ms. Ya-Li Lin as Deputy Branch Manager following the upgrade of Hong Kong Office into Hong Kong Branch."	As a more appropriate writing style, names should be mentioned without addressing the personal title (i.e. "Ms.").	This agenda was unanimously passed as proposed without objections by all directors present at the meeting.

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(3) Audit Committee

The Audit Committee held 4 meetings in 2015. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s.
Independent Director	Guo-Zhang Li	4	0	100%	
Independent Director	Zen-Fa Lu	3	1	75%	
Independent Managing Director	Kao-Jing Wang	4	0	100%	

Other supplementary notes:

1. Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion as stipulated in Article 14-5 of the Securities and Exchange Act: None.
2. 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: None
3. Communication between independent directors auditors:
 - (1) Communication between independent internal directors auditors,
The Chief Auditor is involved in all Board of Directors meetings and Audit Committee meetings, and reports regularly to the Audit Committee on the progress of ongoing audits. Before the end of the financial year, the internal audit department would submit in writing the next year's audit plan for review by the Audit Committee. Furthermore, internal auditors engage independent directors in half-yearly meetings to present internal audit reports and to discuss any weaknesses found in the internal control system.
 - (2) Communication between independent directors and external auditors,
The Bank's financial statement auditor briefs the Audit Committee every six months about the audit methods taken and any material findings or adjustments discovered during their work. They also discuss with independent directors on other relevant issues.

(4) 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>

(5) 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	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	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	
<p>procedure.</p> <p>(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.</p> <p>(3) Ways in which the Bank establishes proper risk control mechanisms and firewalls between the Bank and its affiliated enterprises.</p>	<p>v</p> <p>v</p>		<p>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. 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> <p>(3) The Bank’s credit dealings with affiliated companies are carried out in accordance with the stakeholders section of the Banking Act. As 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>	<p>No material discrepancy</p> <p>No material discrepancy</p>
<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>	<p>v</p>		<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 Audit Committee was assembled in accordance with law and the Company’s Articles of Incorporation during the 1st extraordinary meeting of the 9th board of directors held on June 26, 2015. A set of “Audit Committee Foundation Rules” has</p>	<p>No material discrepancy</p>

Corporate Governance

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>been implemented for guidance.</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 has created a stakeholders section on its website. In addition, related parties should also contact with the Bank through mail, telephone, fax and internet etc. All communication channels are easily accessible and smooth.	No material discrepancy.
4. Information Disclosure (1) Establishment of corporate website to	V		1. The Bank has regularly disclosed financial and corporate governance status in the Bank's website (Web	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	
<p>disclose information regarding the Bank's financials, business and corporate governance status.</p> <p>(2)Other information disclosure channels (e.g. English website, designating particular person to handle information collection and disclosure, appointing spokesperson, webcasting investor conference)</p>	V		<p>address: http://www.ubot.com.tw), and will disclose related information following the relevant regulations of the competent authority.</p> <p>2. Information Disclosure Method</p> <p>(1) A designated department is to take charge of the collection and disclosure of information on the Bank's website.</p> <p>(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.</p> <p>(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".</p>	
<p>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):</p>	V		<p>(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.</p> <p>(2)Investor relations: The Bank has set up an investors relationship window for a smooth communication channel.</p> <p>(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 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</p>	No material discrepancy.

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			<p>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.).</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 sponsored the Kaohsiung Rapid Transit Corporation in a number of charity events such as "Harbor City Tour for Children in Remote Areas" and the "2015 KRTC Charity Run." A total of NT\$500,000 was sponsored to the above events in 2015..</p> <p>b. Tainan City Yong Fu Elementary School organized a grand run on its 100th anniversary, during which teachers, students, former students, and members of autism and cerebral palsy associations were invited to participate. In the same year, the</p>	

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			<p>school also went to great extent to compile its own history book and renovate one of its classrooms into a hall of history. A total of NT\$60,000 was sponsored to the above events in 2015.</p> <p>c. The Bank has put much effort into the promotion of arts and culture for years. Since 2001, the Bank periodically sponsored “Kaohsiung Philharmonic Cultural & Arts Foundation”. In 2015, the budget sponsored by the Bank totaled NT\$2,600,000.</p> <p>d. The Bank sponsored the foundation to host the “Union Art Competition” and “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. The old-time artist recommended to the panel in 2015 We hope to achieve our aim of supporting and nurturing local art creators and continuing. The budget sponsored by the Bank was about NT\$3,720,000. In 2015.</p> <p>e. In March 2015, the Bank donated NT\$200,000 to the “2015 Tribal Aid Program” organized by Children Are Us Foundation, and issued iPASS cards that were associated with the charity cause. In November 2015, the Bank donated NT\$150,000 to Pingtung County Wutai Township Office for its “Tribal Culture Restoration” program, and contributed to the preservation of indigenous culture</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.

The background of the page is a painting. In the foreground, a ginger and white cat sits on a dark tiled roof, looking out over a town. The town consists of numerous white buildings with dark roofs, some with red accents. The scene is set on a hillside, with a road and some greenery visible in the lower left. The overall style is that of a soft, impressionistic painting.

Corporate Governance

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.

(6) 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
Independent Director	Li, Guo-Zhang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	qualified
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: 2015.6.26 to 2018.6.25 Salary and Remuneration Committee of the Bank held 2 meetings in 2015. The status of attendance was as follows:



Corporate Governance

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

Corporate Governance

(7) 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> <p>(2) Whether the Bank has hold regular social responsibility educational and training activities?</p> <p>(3) Whether the Bank has established a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Bank has enacted its corporate social responsibility best-practice principles 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.</p> <p>(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> <p>(3) The Bank enacted the "Regulations Governing Establishment of Corporate Social Responsibility Committee" in January 2015 and established the Bank's "Corporate Social</p>	<p>No material discrepancy</p>

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>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>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 resources are used efficiently. Environmental friendly products</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>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 completed its greenhouse gas inventory in 2015. A new "Energy and Environment Management Policy" was passed as a means to achieving energy conservation/carbon reduction. Furthermore, the Bank was certified for ISO50001 Energy Management System during the year.</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</p>	V	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</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)	
employees on a regular basis?			environment and performs labor 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) For the protection of consumers’ interests, a “Consumer Dispute Resolution Policy” was formulated and passed during the 2nd meeting of the 9th board on August 26, 2015. The Bank also maintains a 24-hour customer service hotline for every day of the year. Customers who find themselves in dispute against the Bank’s products or services, and believe to have suffered losses because of which are entitled to file complaints through proper channels (e.g. telephone, mail, web message, or personally at branches). All complaints will	

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)	
(7) Whether the Bank markets and labels products and services in accordance with the related laws and international practices?	v		<p>be handled in discretion according to the Bank's "Customer Complaint Handling Procedures," and followed up by dedicated personnel. The Bank will resolve every customer dispute in a fast and efficient manner, and perform statistical analyses on complaint cases to identify rooms of improvement and thereby prevent similar occurrences. A "Consumer Dispute Resolution Team" has also been assembled to resolve customers' dispute in a pro-active and efficient manner.</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>	<p>v</p> <p>v</p>		<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</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)	
			stop the activities immediately.	
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?	v		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 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.	No material discrepancy
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.

(8) Fulfillment of ethical Management and Adopted measures:

Item	Implementation Status (Note 1)	Discrepancy, if any, with
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Corporate Governance

	Yes	No	Memo	
<p>1. Formulate the Policy and Procedures for Ethical Management</p> <p>(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?</p>	V		<p>(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 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>	No material discrepancy
<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>	V		<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) 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>(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</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	
			interest and right of the Bank's customers and shareholders.	
<p>2. Implementation of Ethical Management</p> <p>(1) Whether the Bank has evaluated the ethical record of trading counterparts and specifically set out the ethical management 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>(1) The Bank's business activities shall avoid any trading with persons with unethical record, and the Bank 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 policies were established in accordance with laws, the FSC-approved IFRS, international accounting standards, and interpretations thereof, and have been adjusted to accommodate existing and future business requirements. The Bank's internal control system was developed based on "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries." It exists to facilitate good business practices and to provide assurances in terms of business performance, financial reporting, and regulatory compliance. The audit team also uses the internal audit and self-audit systems to evaluate the internal control design and the effectiveness of its execution.</p> <p>(5) According to the Bank's ethical</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	
			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 external entities.	
3. Status of the Bank's complaint system (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? (2) Whether the Bank has defined the standard operating procedure and non-disclosure mechanism toward the investigation on the complaints as accepted? (3) Whether the Bank has adopted the measures for protecting complainants from inappropriate disciplinary actions due to their complaints?	V V V		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.	No material discrepancy
4. Enhancing Information Disclosure (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?	V		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.	No material discrepancy
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".				
6. None.				

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

(9) 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

Corporate Governance

- 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>).
- (10) Corporate governance principles and methods for searching the relevant regulations: Please refer to the corporate governance at MOPS (<http://mops.twse.com.tw>).
- (11) 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>).
- (12) 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 17, 2016

To Financial Supervisory Commission:

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2015 to December 31, 2015, 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

(13) 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

(14) 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 2015 and their Implementation Status
- a. Annual Accounts for 2014: Resolution Approved.
 - b. Appropriation of 2014 Earnings: Resolution Approved.
Execution: During the shareholder meeting, a resolution was passed to distribute stock dividends at NT\$0.6 per share and cash dividends at NT\$0.26 per share. The ex-rights date was set at August 22, 2015, and the actual distribution took place on September 17, 2015
 - c. Amendments to the Bank's "Articles of Incorporation": passed.
Execution: The resolution was approved by the Ministry of Economic Affairs on July 27, 2015, and has since been updated in the public registry and announced on the Bank's website.
 - d. Amendments to the Bank's "Shareholder Conference Rules": passed.
Execution: Proceeded according to proper procedures.
 - e. Abolishment of the Bank's "Director Election Policy" and establishment of "Director Election Procedures": passed. Execution: Proceeded according to proper procedures.
 - f. Election for the 9th board of directors (including independent directors): passed.
List of director elects: Shiang-Chang Lee, representative of Chen-Chen Investment Co., Ltd.: Zhen-Xong Jiang
Representative of Union Enterprise Construction Co., Ltd.: Jeff Lin
Representative of Pao-Shing Investment Co., Ltd.: Jia-Yi Wang, Zhen-Lu Lin
Yu-Quan Lee, representative of Pai-Sheng Investment Co., Ltd.: Si-Yong Lin
Representative of Yu-Pang Co., Ltd.: Sue-Feng Tsao, representative of Chi-Shun Investment Co., Ltd.: Jin-Fu Liu.
List of independent director elects: Kao-Chin Wang, Zen-Fa Lu, Kuo-Chang Li.
 - g. Removal of restrictions against new directors' competing business involvement: passed. Execution: Proceeded as resolved.
 - h. Issuance of new shares for capitalized earnings and employee bonus: passed.
Execution: The proposal to issue new shares for capitalized earnings and payment of employee bonus was approved by Financial Supervisory Commission on July 28, 2015 under Letter No. Jin-Guan-Zheng-Fa-1040027367. Registration for the change of capital was approved and affected by the Ministry of Economic Affairs on September 10, 2015 under Letter No. Jing-Shou-Shang-10401185290. New shares were officially issued and listed for trading on September 17, 2015.
- B. Major Resolutions of Board Meetings During 2015 up to the Date of Printing of the Annual Report:
- a. During the 17th meeting of the 8th board held on February 11, 2015, the board of directors passed "2015 Bank and Department Budgets," "Business Strategies," and the decision to issue subordinated bank debentures up to NT\$5 billion (inclusive) for a tenor of 5.5 (inclusive) ~ 10 (inclusive) year.
 - b. During the 17th meeting of the 8th board held on February 11, 2015, the board of directors passed amendments to the "Articles of Incorporation" and "Shareholder Conference Rules," the introduction of "Audit Committee Foundation Principles," and abolishment of "Supervisor Authority Principles." In addition,

changes were made to “Board of Directors Conference Rules” and “Board of Directors Foundation Principles” to accommodate the above, whereas the “Debt Management Department” was renamed “Legal and Compliance Department” with a compliance officer appointed at the head office.

- c. During the 18th meeting of the 8th board held on March 18, 2015, the board of directors passed amendments to the “Bank Debenture Issuance Policy,” supplements to the “Shareholder Conference Rules,” and revisions of “Director Appointment Procedures” to conform with the authority's new “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.” Meanwhile, the “Director Election Policy” was abolished, and new policies including “Corporate Social Responsibility Best Practice Principles,” “Business Integrity Principles,” and “Corporate Governance Best Practice Principles” were created.
- d. During the 19th meeting of the 8th board held on May 13, 2015, the board of directors passed “Auditor Appointment and Auditor Remuneration” and “2015 first quarter auditor-reviewed consolidated financial statements.”
- e. During the 1st extraordinary meeting of the 9th board held on June 26, 2015, the board of directors passed a resolution to appoint Hsien-Chang Li, Chen-Hsiung Chiang, and Chia-Yi Wang as Standing Directors, and Kao-Chin Wang as Independent Standing Director.
- f. During the 1st meeting of the 9th board held on July 29, 2015, the board of directors set the cash issue date and the cash dividend date on August 14, 2015.
- g. During the 2nd meeting of the 9th board held on August 26, 2015, the board of directors passed “Resolution to relocate and sustain operation of Northern Kaohsiung Branch,” “Resolution to apply for insurance agency service license and acquire Union Insurance Broker Co., Ltd.,” and the “2015 second quarter audited standalone financial statements and auditor-reviewed consolidated financial statements.”
- h. During the 5th meeting of the 9th board held on November 11, 2015, the board of directors passed the “2015 third quarter auditor-reviewed consolidated financial statements.”
- i. During the 7th meeting of the 9th board held on March 16, 2016, the board of directors passed “Details of the 2016 annual general meeting,” “Details concerning acceptance of shareholders’ motions during annual general meeting,” “Resolution to continue appointment of Deloitte & Touche for financial statement audit and income tax filing,” “Amendments to Article 10 of Union Bank of Taiwan Co., Ltd. Articles of Incorporation,” “2015 business report and preliminary audited financial statements,” “2015 employees’ and directors’ remuneration,” and “2015 earnings appropriation.”

(15) 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.

(16) 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
Deloitte & Touche	Terence Huang	Vincent Cheng	January ~ December 2015	

CPA Professional Fees Bracket

In NT\$ thousand

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				
5	8,000 (incl.) ~10,000		V		
6	10,000 and above				V

(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	2015	April 10, 2016

Corporate Governance

		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	76,411	0	0	0
Independent Managing Director	Kao-Jing Wang	0	0	0	0
Independent Director	Zen-Fa Lu	0	0	0	0
Independent Director	Guo-Zhang, Li	1,728	0	0	0
Director	Union Construction Enterprise Co., Ltd.	5,145,341	0	0	0
Managing Director	Chen-Chern Investment Co., Ltd.	7,077,149	0	0	0
Director	Yu-Pang Co., Ltd.	2,149,415	0	0	0
Director	Chi-Shun Investment Co., Ltd.	9,253,106	0	0	0
Director	Yu-Quan Lee	199,189	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	5,148,949	0	0	0
Supervisor	Pai-Sheng Investment Co., Ltd.	7,527,245	0	0	0
President	Jeff Lin	316,682	0	0	0
SEVP	Yin-Bor Chan	39,839	0	0	0
SEVP	Herman Tu	30,984	0	0	0
SEVP	Cheng-Yu Liu	15,922	0	0	0
Chief Auditor	Kuo-Pao Kang	12,989	0	0	0
EVP	Hsia, Kuo-Hsien	13,966	0	0	0
EVP	Cheng-Juh Hsieh	33,173	0	0	0
Manager	Michael Lin	12,510	0	0	0
Manager	Lin-Sheng Yu	7,662	0	0	0
Manager	Kuang-Han Liu	6,164	0	0	0
Manager	Chan-Kwei Chen	11,404	0	0	0
Manager	Jeng-Ping Liu	13,611	0	0	0
Manager	Wendy Chi	11,347	0	0	0
Manager	Ching-Shou Liu	16,121	0	0	0
Manager	Chien-Hui Li	6,660	0	0	0
Manager	Jen-Chung Cheng	9,826	0	0	0
Manager	Patty Chen	4,531	0	0	0
Manager	Su-Yean Lo	5,223	0	0	0
Manager	Ru-Ji Cheng	7,286	0	0	0
Manager	Liang-Kuei Kuo	0	0	0	0
Manager	Hann-Tsau Tsai	22,385	0	0	0
Manager	Chang-Yung Chen	19,074	0	0	0
Manager	Wen-Chien Chien	8,185	0	0	0
Manager	Chia-Yu Chuo	6,960	0	0	0
Manager	Joy Tang	11,574	0	0	0
Manager	Luke Yang	14,702	0	0	0
Manager	June Kao	5,969	0	0	0

Corporate Governance

Title	Name	2015		April 10, 2016	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Liu, Chueh-Ling	10,334	0	0	0
Manager	Kuo-Kuang Chou	5,931	0	0	0
Manager	Kuen-Yuan Tsai	8,921	0	0	0
Manager	Jacky Liao	6,043	0	0	0
Manager	Rong-Hui Huang	9,688	0	0	0
Manager	Anita Hung	0			
Manager	Jane Lu	9,840	0	0	0
Manager	Wen-Chi Chiang	5,733	0	0	0
Manager	Yu-Hsiu Hsu	8,212	0	0	0
Manager	Peter Chien	(10,611)	0	0	0
Manager	Shih-Shien Chene	6,026	0	0	0
Manager	Russell YC Chang	15,954	0	0	0
Manager	Chang-Chen Lin	6,346	0	0	0
Manager	Gary Tsai	6,354	0	0	0
Manager	Mei-Lan Lin	5,174	0	0	0
Manager	Yao-Tsung Kao	10,731	0	0	0
Manager	Chu-Shih Wei	7,344	0	0	0
Manager	Sophie Hsu	10,533	0	0	0
Manager	Michael Lee	8,782	0	0	0
Manager	Denfer Hung	10,681	0	0	0
Manager	Chien-Lung Chen	12,209	0	0	0
Manager	Tawei Shih	8,239	0	0	0
Manager	Shu-Feng Hsueh	6,711	0	0	0
Manager	Lawrence Chen	9,001	0	0	0
Manager	Yeong-Jin Hwang	8,605	0	0	0
Manager	Meng-Hsia Wu	9,092	0	0	0
Manager	Chien-Chung Su	5,575	0	0	0
Manager	Hui-Chin Yang	0	0	0	0
Manager	Ye-Yan Lin	6,396	0	0	0
Manager	Ching-Wen Chen	7,988	0	0	0
Manager	Chih-Chung Chang	(834)	0	0	0
Manager	Fang-Ni Wang	7,984	0	0	0
Manager	Lanny Liaw	0	0	0	0
Manager	Yen-Jou Liu	17,616	0	0	0
Manager	Shih-Fu Liu	4,994	0	0	0
Manager	Vickie Chou	0	0	0	0
Manager	Shen-Yung Peng	9,135	0	0	0
Manager	Ming-Chung Guo	0	0	0	0
Manager	Sheng-Hsiu Chou	0	0	0	0
Manager	Teh-Chin Tsai	11,797	0	0	0
Manager	Kuo-Yi Lu	0	0	0	0
Manager	Hsiu-Yun Su	8,204	0	0	0
Manager	Shis-Wen Lu	5,745	0	0	0
Manager	Kuan-Hong Lee	4,890	0	0	0

Corporate Governance

Title	Name	2015		April 10, 2016	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Hung-Min Chen	6,859	0	0	0
Manager	James Tsai	9,962	0	0	0
Manager	Alex Ciu	4,200	0	0	0
Manager	Hui-Fen Chao	18,552	0	0	0
Manager	Chia-Wei Lin	5,496	0	0	0
Manager	Shih-Yuan Liaw	6,187	0	0	0
Manager	Chiung-Yu O	5,698	0	0	0
Manager	Chien-Chung Wu	6,759	0	0	0
Manager	Wu-Yuan Chen	7,397	0	0	0
Manager	Shan-Chih Yen	8,501	0	0	0
Manager	Ta-Yu Chin	8,050	0	0	0
Manager	Chi-Fang Chu	6,309	0	0	0
Manager	Candy Lin	7,677	0	0	0
Manager	Roger Chang	4,926	0	0	0
Manager	Hsien-Ming Yen	8,392	0	0	0
Manager	Feng-Li Lin	9,253	0	0	0
Manager	Miao-Hui Yeh	10,694	0	0	0
Manager	CM Huang	29,609	0	0	0
Manager	I-Wen Ho	(24,023)	0	(20,000)	0
Manager	Fen-Ju Chen	4,203	0	0	0
Manager	Jeffery Tsai	10,077	0	0	0
Manager	Ju-Ling Kuo	13,682	0	0	0
Manager	Wen-Hui Lin	8,627	0	0	0
Manager	Miranda Tsai	6,864	0	0	0
Manager	Kuen-Cheng Chou	7,584	0	0	0
Manager	Jyh-Chiang Huang	12,484	0	0	0
Manager	Jenny Cheng	6,245	0	0	0
Manager	Wen-Jui Chou	6,405	0	0	0
Manager	Ping-Hui Lin	8,913	0	0	0
Manager	Shiu-Lan Hsieh	8,971	0	0	0
Manager	Tereasa Lin	8,916	0	0	0
Manager	Amy Chung	6,735	0	0	0
Manager	Cooper Kao	0	0	0	0
Manager	Yao-Hsien Lee	14,338	0	0	0
Manager	Chao-Chuan Chuang	5,054	0	0	0
Manager	Jung-Hsiang Chung	8,309	0	0	0
Manager	Richard Yang	6,346	0	0	0
Manager	Chang-Fu Tsai	6,647	0	0	0
Manager	Connie Tseng	7,556	0	0	0
Manager	Lisa Lu	9,468	0	0	0
Manager	Fupin Liang	0	0	0	0
Manager	Mei-Ling Lee	7,105	0	0	0
Manager	Wen-Chih Cheng	0	0	0	0

Corporate Governance

Title	Name	2015		April 10, 2016	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Yanger Yang	12,787	0	0	0
Major Shareholder	Tsong-Li Investment Co., Ltd.	11,815,346	0	0	0
Major Shareholder	Pai-Sheng Investment Co., Ltd.	7,527,245	0	0	0
Major Shareholder	Tien-Sheng Investment Co., Ltd.	7,330,090	0	0	0
Major Shareholder	Chen-Chern Investment Co., Ltd.	7,077,149	0	0	0
Major Shareholder	Chien-Tuan Investment Co., Ltd.	6,823,999	0	0	0
Major Shareholder	Wei-Chih Investment Co., Ltd.	10,144,407	0	0	0
Major Shareholder	Chuo-Pao Investment Co., Ltd.	6,147,213	0	0	0
Major Shareholder	Kun-Che Investment Co., Ltd.	10,146,920	0	0	0
Major Shareholder	Chi-Shun Investment Co., Ltd.	9,253,106	0	0	0
Major Shareholder	Jan-Pang Investment Co., Ltd.	5,453,860	0	0	0
Major Shareholder	Pao-Shing Investment Co., Ltd.	5,148,949	0	0	0
Major Shareholder	Union Enterprise Construction Co., Ltd.	5,145,341	0	0	0
Major Shareholder	Hung-Hsiang Investment Co., Ltd.	5,095,404	0	0	0
Major Shareholder	Hong-Gow Investment Co., Ltd.	4,765,503	0	0	0
Major Shareholder	Bai-Ing Investment Co., Ltd.	4,694,650	0	0	0
Major Shareholder	Chen-Sheng Investment Co., Ltd.	4,417,559	0	0	0
Major Shareholder	Lin, Chang Su-O	4,391,847	0	0	0
Major Shareholder	Lin Rong San Foundation of Culture and Social Welfare	3,734,592	0	0	0
Major Shareholder	Hong-Pern Construction Co., Ltd.	3,352,690	0	0	0
Major Shareholder	Hong-Pang Construction Co., Ltd.	2,837,170	0	0	0
Major Shareholder	Union Recreation Enterprise Co., Ltd.	2,489,074	0	0	0
Major Shareholder	Yu-Pang Co., Ltd.	2,149,415	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 10, 2016 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
Tsong Li Investment Co., Ltd. Representative: Hong-Bung Lin	208,737,794 0	8.01% 0	- -	- -	- -	- -		
Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	132,981,337 289,836	5.10% 0.01%	- 1,499,860	- 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	129,498,269 3,535	4.97% 0	-	-	-	-		
Chen-Chern Investment Co., Ltd. Representative: Chung- Yu Lee	125,029,640 114,445	4.79% 0						
Chien-Yuan Investment Co., Ltd. Representative: C.C. Chang	120,557,234 549,559	4.62% 0.02%	- -	- -	- -	- -		
Wei-Chih Investment Co., Ltd. Representative: S.S. Yeh	115,417,866 0	4.43% 0	- -	- -	- -	- -		

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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	108,600,778 289,836	4.16% 0.01%	- 1,499,860	- 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	104,496,932 248,201	4.01% 0%	-	-	-	-		-
Chi-Shun Investment Co., Ltd. Representative: Lin Chang Su-O	97,059,211 320,002	3.72% 0.01%	-	-	-	-		-
Jen-Pang Construction Co., Ltd. Representative: Jyh-Dong Chen	96,351,542 77,589,397	3.69% 2.97%	-	-	-	-		-

9. Ownership of Investee Companies

December 31, 2015 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.	94,000,000	100.00%	0	0.00%	94,000,000	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.	12,497,985	2.39%	0	0.00%	12,497,985	2.39%
Fu Hua Venture Corporation	1,320,000	5.00%	0	0.00%	1,320,000	5.00%
Taiwan Depository & Clearing Corp.	856,102	0.25%	0	0.00%	856,102	0.25%
Taiwan Futures Exchange Co., Ltd.	6,053,163	2.04%	0	0.00%	6,053,163	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%
I-Pass Corporation	13,000,000	17.52%	0	0.00%	13,000,000	17.52%
Taipower Corporation	394,879	0.0012%	0	0.00%	394,879	0.0012%
Taiwan Mobile Payment Corporation	600,000	1%	0	0.00%	600,000	1%
Sunny Asset Management Co.	386,376	6.44%	0	0.00%	386,376	6.44%

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	
Sep 2015	10	3,000,000,000	30,000,000,000	2,605,152,427	26,051,524,270	Capital Increase Via Return Earning & Bonus Share	

Type of Shares	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	2,605,152,427	394,847,573	3,000,000,000	Listed shares

Fund Raising Status

(2) Shareholder Composition

April 10, 2016

Amount	Shareholder Composition					
	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	0	0	86	29,898	106	30,090
No. of Shares Held	0	0	2,052,937,275	485,845,707	66,369,445	2,605,152,427
% of Shareholding	0.00%	0.00%	78.8%	18.65%	2.55%	100%

(3) Distribution of Shareholding (Preferred Stock Included)

Par value per share NT\$10; April 10, 2016

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	12,683	3,187,889	0.12%
1,000 ~ 5,000	8,057	17,847,840	0.69%
5,001 ~ 10,000	2,916	19,767,352	0.76%
10,001 ~ 15,000	3,376	41,761,759	1.60%
15,001 ~ 20,000	494	8,568,410	0.33%
20,001 ~ 30,000	770	18,514,236	0.71%
30,001 ~ 50,000	555	21,317,348	0.82%
50,001 ~ 100,000	525	35,819,486	1.37%
100,001 ~ 200,000	342	46,319,617	1.78%
200,001 ~ 400,000	185	52,409,650	2.01%
400,001 ~ 600,000	59	29,357,930	1.13%
600,001 ~ 800,000	20	13,596,048	0.52%
800,001 ~ 1,000,000	20	17,755,457	0.68%
Over 1,000,001	88	2,278,929,405	87.48%
Total	30,090	2,605,152,427	100.00%

(4) Major Shareholders

April 10, 2016

Major Shareholders	Shares	
	No. of shares Held	% of shareholding
Tsong-Li Investment Co., Ltd.	208,737,794	8.01%
Pai-Sheng Investment Co., Ltd.	132,981,337	5.10%
Tien-Sheng Investment Co., Ltd.	129,498,269	4.97%
Chen-Chern Investment Co., Ltd.	125,029,640	4.79%
Chien-Yuan Investment Co., Ltd.	120,557,324	4.62%
Wei-Chih Investment Co., Ltd.	115,417,866	4.43%
Chu-Pao Investment Co., Ltd.	108,600,778	4.16%
Kun-Che Investment Co., Ltd.	104,496,932	4.01%
Chi-Shun Investment Co., Ltd.	97,059,211	3.72%
Jen-Pang Construction Co., Ltd.	96,351,542	3.69%

Fund Raising Status

Pao-Shing Investment Co., Ltd.	90,964,766	3.49%
Union Enterprise Construction Co., Ltd.	90,901,025	3.48%
Hung-Hsiang Investment Co., Ltd.	90,018,809	3.45%
Hong-Gow Construction Co., Ltd.	84,190,558	3.23%
Bai-Ing Investment Co., Ltd.	82,938,825	3.18%
Chen-Sheng Investment Co., Ltd.	78,043,543	2.99%
Lin, Chang Su-O	77,589,397	2.97%
Lin Rong San Foundation of Culture and Social Welfare	65,977,797	2.53%
Hong-Pern Construction Co., Ltd.	59,230,866	2.27%
Hong-Pang Construction Co., Ltd.	50,123,345	1.92%
Union Recreation Enterprise Co., Ltd.	43,973,644	1.68%
Yu-Pang Co., Ltd.	37,972,999	1.45%

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			
		2014	2015	Mar 31, 2016	
Market price per share	Highest	11.45	11.15	9.55	
	Lowest	10.00	8.36	8.83	
	Average	10.68	10.13	9.23	
Net Worth per share	Before Distribution	13.07	13.39	13.68	
	After Distribution	12.09	Note4	-	
Earning per share	Weighted Average Shares		2,595,378	2,601,697	2,605,152
	Earning Per Share(NT\$)	Before Adjust	1.26	1.20	0.25Note5
		After Adjust	1.19	-	-
Dividend per share	Cash Dividends		0.26	0.40 Note4	-
	Stock Dividends	Dividends from retained earning	0.6	-	-
		Dividends from capital reserve	-	-	-
	Accumulated Dividends		-	-	-
Return on investments	Price/Earning Ratio ^{Note1}		8.48	8.44	9.23
	Price/Dividend Ratio ^{Note2}		41.08	25.33	-
	Cash dividends yield rate ^{Note3}		2.43%	3.95%	-

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 2016 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 2015 earnings will be confirmed when it is passed by a resolution at the 2016 Shareholders' meeting.
5. Net worth per share and earnings per share have been audited by independent auditors.

Fund Raising Status

(6) Dividend Policy and Implementation

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

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 16, 2016 to approve the earnings distribution proposal for 2015 as follows: cash dividends on common shares totalling \$1,042,060,971 that is, a cash dividend of \$0.4 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	Year2016 (Forecast)
Beginning Paid-In Capital		26,051,524,000
Stock and Cash Dividend in this Year	Cash Dividend per share	0.4 dollars /per share
	Capitalization of Retained Earnings Stock Dividend per share	share
	Capitalization of Capital Reserves Stock Dividend per share	None

Fund Raising Status

Item	Year	Year2016 (Forecast)
Operation Result Changes	Operating Profit	(Note)
	Ratio of Increase (Decrease) in Operating Profit Compared to the same period last year	
	Net Profit after Tax	
	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 2016 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:
- Employees' remuneration: Between 1% and 5% of net profit; where employees' remuneration is paid in shares, the beneficiaries may include employees of subordinated companies that satisfy certain criteria. This criteria shall be determined by the board of directors.
 - Directors' remuneration: No more than 0.1% of net profit.
- The board of directors is authorized to change the rules of employees' and directors' remuneration described above.
- In any case, however, profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employees' and directors' remuneration according to the above percentages.
- 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:
- Employees' remuneration proposed and resolved by the board of directors:
 Employees' and directors' remuneration: 2015 employee bonus was resolved at NT\$70,497,027 while 2015 directors' remuneration was resolved at NT\$3,448,224 during the board of directors meeting held on March 16,

Fund Raising Status

2016. Both amounts will be paid entirely in cash. The above amounts were indifferent from the amounts estimated in the year the expense was recognized.

D. Actual employees', directors', and supervisors' remuneration in the previous year:

Unit: NTD

	Amount proposed and passed by the board	Amount actually paid	Difference	Remarks
Employees' remuneration	69,509,836	69,509,836	—	
Directors' and supervisors' remuneration	3,475,492	3,475,492	—	
Total	72,985,328	72,985,328	—	

Note: Directors' and supervisors' remuneration were paid in cash, whereas employees' remuneration was paid in shares. The number of shares issued was calculated based on the closing market price one day before the 2015 annual general meeting, while taking into consideration the effects of stock and cash dividends. Based on this calculation, a total of 7,165,962 shares were issued at NT\$9.70 each.

(9) Share Repurchases by the bank: None

2. Issuance of Financial Debentures

Type of Financial Debentures	1st Subordinated Financial Debentures issued in 2011	1st Subordinated Financial Debentures issued in 2012	1st Subordinated Financial Debentures issued in 2013	1st Subordinated Financial Debentures issued in 2015
Date & No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.	Jin-Kuan-Yin-Kuo-Zi-No.
Approved by Central Competent Authority	10000158270 May 12, 2011	10000387590 Nov. 8, 2011	10200321780 Nov.20, 2013	10400055530 Apr.1, 2015
Issuing Date	Jun. 15, 2011	Mar. 1, 2012	Dec 19, 2013	Apr 22, 2015
Face Value	1,000,000	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	2 billion	1.5 billion	3 billion	2.2 billion
Interest Rate	2.78%, fixed rate	2.32%, fixed rate	2.10%, fixed rate	2.08%, fixed rate
Term	Maturity Date: Jun. 15, 2018	Maturity Date: Mar. 1, 2019	Maturity Date: Dec 19, 2020	Maturity Date: Apr 22, 2022
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	2 billion	1.5 billion	3 billion	2.2 billion

Fund Raising Status

Type of Financial Debentures	1st Subordinated Financial Debentures issued in 2011	1st Subordinated Financial Debentures issued in 2012	1st Subordinated Financial Debentures issued in 2013	1st Subordinated Financial Debentures issued in 2015
Paid-in Capital For the Previous Fiscal Year	19.48 billion	19.48billion	20.26billion	24.51billion
After-tax Net Worth for the Previous Fiscal Year	20.09 billion	21.97 billion	24.07 billion	32.37 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 ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio
Balance of issued debentures before adding the declared issue amount as a percentage of after-tax net worth for the previous fiscal year (%)	14.43%	20.03%	30.74%	29.65%
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. twBBB+ Dec. 11, 2013	Taiwan Ratings Corp. twBBB+ Apr. 8, 2015

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:None.
- (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:

A painting of a dog, possibly a Shiba Inu, looking over a cityscape. The dog is in the foreground, looking towards the right. The background shows a dense urban area with buildings and a street. The style is impressionistic with visible brushstrokes.

Fund Raising Status

None.

6. Fund Utilization Plan and Execution Status

1. Fund Utilization Plan

- A. Description of the plan: Please see pages 82-83 for details of previous public issues or private placement of securities and bank debentures.
- 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 106-131 for the Bank's financial information and changes in the capital adequacy ratio for years 2011 through 2015.

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
- Deposits : NTD and foreign currencies (including OBU), deposits from peers, and deposits from Chunghwa Post)

Amount: NT\$ Million

Type	December 31, 2015		December 31, 2014		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Current Deposit	179,057	42.29%	171,329	42.8%	7,728	4.5%
Time Deposit	244,310	57.71%	229,164	57.2%	15,146	6.6%
Total	423,367	100%	400,493	100%	22,874	5.7%

b. Loans

Amount: NT\$ Million

Type	December 31, 2015		December 31, 2014		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Consumer Banking	147,781	52.14%	137,476	52.88%	10,305	7.5%
Corporate Banking	135,669	47.86%	122,491	47.12%	13,178	10.76%
Total	283,450	100%	259,967	100%	23,483	9.03%

c. Foreign Exchange

Amount: US\$ Million

Type	December 31, 2015		December 31, 2014		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (decrease)	Growth Rate%
Exports	89	1.4%	108	1.9%	-19	-17.5%
Imports	277	4.4%	219	3.9%	58	26.5%
Foreign Remittances	5,993	94.2%	5,336	94.2%	657	12.3%
Total	6,359	100%	5,663	100%	693	12.3%

Operational Highlights

d. Trust & Wealth Management

Amount: NT\$ Million

Type		December 31, 2015	December 31, 2014	Comparison	
		Amount	Amount	Increase (decrease)	Growth Rate%
Trust	Non-discretionary Money Trust Invested in Securities	35,953	36,493	(540)	-1.48%
	Fund Custody Business	6,822	8,046	(1,224)	-15.21%
	General Trusts	13,946	13,999	(53)	-0.38%
Ancillary Service	Other Custody Business	2,935	335	2,600	776.12%
	Attestation For Issuance of Securities	21,263	21,788	(525)	-2.41%
Total		80,919	80,661	258	0.32%

e. Credit Card Business

Unit: NT\$ Million ; Card

Item	December 31, 2015	December 31, 2014	Comparison	
	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate%
Card in New Issue	255,916	167,197	88,719	53.06%
Cards in Circulation	1,825,288	1,770,774	54,514	3.08%
Valid cards	812,939	789,016	23,923	3.03%
Credit Amount	65,416	55,924	9,492	16.97%
Cash Advance Amount	1,906	1,957	(51)	(2.61%)
Accounts Receivables	13,189	12,866	323	2.51%
Revolving Credit Balance	4,667	5,118	(451)	(8.81)%
Sales Amount	47,620	47,710	(90)	(0.19%)

f. Revenue and Percentage by Business

Item	% of Total Revenue 2015	% of Total Revenue 2014	Changes (%)
Corporate Banking	16.68%	16.05%	0.63%
Consumer Banking	29.13%	31.63%	-2.50%
Trust & Wealth Management	10.19%	9.64%	0.55%
Investment Banking	15.05%	19.52%	-4.47%
Other	28.95%	23.16%	5.79%
Total	100%	100%	0.00%

(2) Business Plan for 2016

A. Deposit Business

Continue enhancing development of demand deposits:

- a. Explore value-adding deposit services (e.g.: debit card, cardless ATM withdrawals) to enhance customers' relationships with the Bank..



Operational Highlights

- b. Introduce domestic electronic payment and Cash Outbound services to complement customers' existing payment options.
 - c. Deploy ATMs at OK Mart convenience stores and offer services such as corporate banking, salary payment, and franchise deposit accounts to store operators, which broadens service reach and promotes brand awareness.
 - d. Source current deposits and new customers by offering deposit packages for different customers (e.g.: "Privileged rates for large-sum current deposits," "Privileged deposit package for civil servants," "Privileged current savings deposit," and "Privileged rates for collection account holders).
 - e. Continue developing and increasing transactions of deposits with credit card authorization customers.
- B. Loan Business
- a. Corporate Banking
 - Anticipate trends of the local real estate market and adjust in line with the authority's policies, 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
 - Enhance post-lending; report abnormal customer behaviors and take collection actions early for better control of overdue loans.
 - 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. Consumer Credit
 - Adopt segment marketing and design loan packages for different customer segments.
 - Apply intensive training on sales talents and managers with the goal of improving professional knowledge and sales skills.
 - Enhance management over credit quality and overdue loans.
- C. Foreign Exchange Business



Operational Highlights

- 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
- a. Automate service operations; provide strong back-end support to wealth management and satisfy customers' demands for simplicity, security, legitimacy, and efficiency.
 - b. Explore custodian service opportunities; enhance systematic control for personal trust and custodian services.
 - c. Collaborate across departments and industries to promote trust services in terms of fee revenues and market share.
 - d. Promote nursing and retirement solutions in line with government policies; introduce retirement and nursing trusts.
 - e. 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.
 - f. Aggressively seek to take up the old and new fund custody business, and strengthen the control functions of personal trust and custody operation system.
 - g. Introduce the program of variable-amount subscription to a fund through a regular saving plan to promote stable growth in customers' asset portfolios.
 - h. 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.
 - i. 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; In addition issuing co-brand cards with known brands and participating in their marketing campaigns, the Bank will also take initiative in developing partnership with brands whose existing co-brand relationships are about to expire, and therefore gain quick access to new customer groups. In the



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- meantime, the Bank will simplify its application procedures and make services accessible over the Internet and cell-phones, and provide customers with greater incentives to apply for credit cards.
- b. Products: Launch credit cards that feature functionalities of other electronic cards, and thereby attract usage through convenience. Extend exclusive privileges for top-tier cardholders as a means to attract quality customers; launch HCE credit cards in accordance with new regulations to attract the new mobile generation.
 - 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; Given the increasing popularity of payments made via electronic cards and mobile solutions, the Bank will aim to capitalize on this opportunity by launching credit cards that feature Easy Card and iPASS functions, and by promoting the use of UBOT cards with mobile payment tokens.
 - d. Credit loan: Introduce loan programs on a seasonal basis; offer products in broader diversity; develop a telemarketing support system for the best use of customer leads.
 - 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.
 - Enhance relationships with merchants by offering broader variety of cash flow services; assist merchants in generating revenues and reducing maintenance costs of EDC equipment.
- 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.



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(3) Market Analysis

A. Areas of Business Operation

As of the end of March 2016, 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

Taiwan's economy is expected to undergo moderate expansion in 2016, giving local banks ample room to expand business, particularly in electronic banking. However, due to the rising risk of mortgage exposures and the Chinese market, banks are being forced to make additional loan loss provisions and operate within narrow spreads induced by prolonged expansionary policy. Overall, there is little profit growth to be expected from the local banking industry in 2016.

In terms of business prospects, local banks have recently been active in establishing branch presence overseas. Combined with FSC's deregulation efforts on OBU services, local banks may exhibit significant growth in terms of overseas lending and syndicated loans in 2016. Furthermore, in an attempt to stimulate the local economy, the Taiwanese authority has allowed SME Credit Guarantee Fund to be used for guaranteeing medium and large enterprise loans, and thereby creates opportunities in SME lending. Lastly, the latest developments in electronic banking may provide banks with more control over corporate banking cash flows. Due to the stagnant housing market and lack of demand for mortgage, growth of consumer loans is expected to be minimal. Wealth management services, on the other hand, should perform well in 2016 given the favorable outlook of the global economy, and the Bank will seek to capture this opportunity by offering USD and CNY services.

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

a. Advantages

- I. The global economy is expected to achieve a higher growth rate in 2016 than it did in 2015, meaning that the local economy should expand in line with the world and create investment prospects that would support growth of the Bank's credit and wealth management services and contribute profits.
- II. Local banks have been placing greater emphasis on overseas operations as a means to overcome the thin spread prevalent in the local market. FSC and the central bank have been supporting this movement by relaxing credit restrictions, which will prove beneficial to the Bank's search for new loan cases. The ongoing deregulation also favors local banks in terms of cross-border



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merger and acquisition, and provides them with greater means to expand market, diversify income source, and improve profitability.

III. Rapid deregulation presents banks with the opportunity to offer innovations over digital and mobile banking services. The Bank will aim to capture this opportunity in 2016 by extending its strategic alliance with financial technology service providers.

b、Disadvantages

I. The housing market is likely to remain stagnant in 2016, while the potential fall of property prices is considered a risk to the mortgage portfolio. Although additional loan loss provisions were made in 2015, the size of outstanding mortgages is simply too enormous to be fully mitigated.

II. Local banks have committed fully into the development of overseas markets and digital banking, but given the lack of innovation, the market may end up with very similar products. In addition, China's banking industry has surpassed Taiwan in terms of salary level for top banking talent; their aggressive hunt for talent can make matters worse for the local banking industry, which is already in desperate need of quality talent.

III. Local banks' increasing exposure to China may limit their future potential and profitability in the Chinese market.

IV. World's excessive money supply coupled with local interest rate cuts are making the narrow spread even narrower.

c、Responsive Measures

I. Local banks are increasingly serious about adjusting their profit structure. Some of the actions taken include: switching towards SME and overseas lending or higher spread, attracting foreign currency deposits with privileged rates, and reducing interbank borrowing of foreign currency because of the high funding costs involved. Furthermore, enactment of "The Act Governing Electronic Payment Institutions" in 2015 opened up banks to new services including third-party payment and online banking, both of which have the potential to create new opportunities and improve performance of local banks, especially in terms of trust and guarantee services.

II. The slowdown in mortgage growth will undermine consumer lending as a whole. As the customer base expands and business volume accumulates rapidly in China, banks will have to step up their risk management practices in the future.

III. The ongoing wave of digital banking has made IT talents highly attractive to the banking industry. These talents are favored because of their potential to help banks develop online banking, mobile payment, proprietary technologies, and customized products. This shift of talent focus will require retraining for many existing employees.

IV. Banks have adopted two main strategies to prevent deterioration of credit quality due to poor economic performance: 1. Shifting portfolio focus to profitable industries; and 2. Limiting credit exposure to individual industries.



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- (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, 2015, the sales turnover of bills issued by the Bank amounted to NT\$ 837.4 billion, a growth of 7% comparing to 2014.
 - 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”.
 - d. Actively promote loan services and provide customers with more short/medium/long-term funding options. A total of NT\$8,957,584,000 were disbursed in 10,946 new loans in 2015; outstanding loan balance totaled NT\$10,908,777,000 in the end of 2015.
 - e. Wealth Management Business
During 2015, 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, 2015, the Bank had a total of 100,035 wealth management clients and total assets under management aggregated NT\$213.6 billion, representing an increase of 15% from that of 2014.
 - 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 our major financial management services including NT dollar depositing, foreign-currency depositing, securities, funds .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 2015, the Bank also organized a series of events to reward our customers



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including Gifts for Referrals, Anniversary Gifts, Visiting Gifts and Birthday Gifts. As at December 31, 2015, NT dollar deposits of the Fortune Passbook holders amounted to NT\$6,461,450,000 representing a 16% growth rate comparing to NT\$5,571,360,000 as at December 31, 2014.

h. Visa ATM card operations

The Bank had 247,885 Visa debit cards outstanding in 2015; amounts spent using Visa debit cards totaled NT\$1,242,340,000. These two figures represented a 6.28% and 6.18% growth, respectively, over 2014.

Several spending incentives were launched during the year in combination with a segment marketing strategy, such as: “1% cashback,” “initial transaction gifts,” “free city parking,” “petrol discounts,” “2% online shopping discount,” “5% discount on public transportation,” “2015 New Year campaign,” “Movie ticket/group purchase.”

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 eight major services including “Special Offers News, Special Offers Venue, Account Services, Credit card service, Online applications, Financial information, Lifestyle information, and customer service.” Apart from financial services, the built-in “Digital Discount Voucher” is perhaps the most distinctive feature, as both bank and non-bank customers. 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. It is a successful example of how electronic banking services can be integrated with lifestyle.

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 preferential foreign exchange rate applicable to 8 special currency e-banking channels including “USD, Euro, AUD, NZD, RMB, JPY, HKD and ZAR”, in hope of

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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 63% in 2015 comparing to 2014. The average number of logins and transactions for 2015 grew by 11% and 19% comparing to 2014.

- 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

Item \ Year	2015	2014
R&D Expenditure	4,740	3,890

- I. A collaboration with Taiwan Mobile Payment Corp. in April 2015 had enabled the Bank to launch its OTA credit cards. In the future, the Bank will aim to attain leadership position in mobile payment by adopting more advanced cloud-based technologies and offering credit card solutions that are cheaper, more secured, more accessible, and better suited to customers' needs.
 - 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 2015, the Bank adopted a customer-centric responsive web design (RWD) and renewed its entire website in order to provide customers with better browsing experience. In the meantime, online application features were also developed to conform to the Bank 3.0 trend and the authority's deregulation efforts. Currently, processes such as credit card application, instalment application, and know-your-customer (KYC) can all be completed online, whereas functions such as digital banking application and small transfers to non-preset payees will also be made available online for customers' convenience.
- b. Future R&D plan
- I. Build online Loan Management System to streamline the credit granting process and enhance operation efficiency.
 - II. Increasing popularity of mobile devices has given rise to a new wave of mobile economy. To make the best out of this new payment solution, the Bank will be collaborating with Taiwan Mobile Payment Corp. in 2016 Q3 to launch a new technology called the HCE credit card. Meanwhile, the Bank will be paying

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attention to the launch of ApplePay and SamsungPay in Taiwan, so that new mobile payment solutions can be planned in advance and developed in time to gain new customers.

- III. 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. The Bank will aim to appeal to the needs of younger population and explore customers of younger age groups by introducing new digital banking services. This customer group should provide a solid foundation to the Bank's future growth.
 - IV. The Bank will be designing new services based on customers' lifestyles and cash flow requirements, and delivering them through cross-industry alliances. Research efforts will be taken to explore integration of online and offline services, and develop more timely, secured, and convenient digital payment tools.
- (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 2014	End of 2015	Mar31, 2016
Number of Employees	Permanent	3,356	3,542	3,534
	Temporary	0	0	0
	Other	0	0	0
	Total	3,356	3,542	3,534
Average age		36.50	36.79	36.97
Average year of service		8.31	8.59	8.75
Education	Doctorate	0.03	0.03	0.03
	Master	7.00	6.86	6.71
	University (College)	86.17	85.43	85.54
	Senior High School	6.70	7.59	7.64
	Junior High School & Under	0.09	0.08	0.08
Type of professional certification held by employees		End of 2014	End of 2015	Mar31, 2015
Basic Proficiency Test for International Banking Personnel		285	293	315
Proficiency Test on Foreign Exchange Trading		11	12	11
Proficiency Test for Trust Operations Personnel		2,216	2,176	2,236
Subject Test - Laws and Regulations on Trust Businesses		21	27	29
Qualification exam for "General knowledge of Financial Markets and professional code of Ethics"		2,512	2,551	2,621
Financial Risk Manager (FRM)		3	3	3
Class B Accounts Clerk		8	9	10
Class C Accounts Clerk		105	106	116
Basic Proficiency Test for Bank Lending Personnel		403	394	394
Advanced Proficiency Test for Bank Lending Personnel		33	32	32
Proficiency Test for Bank Collateral Appraisal Personnel		10	10	10
Proficiency Test for Financial Planning Personnel		392	371	376
Structured Product Sales Personnel Qualification Test		214	225	230

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Year	End of 2014	End of 2015	Mar31, 2016
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)	23	20	22
For taking "Investment trust & consulting regulations(including self-disciplinary rules)" only	667	671	694
Life insurance salesperson	2,547	2,562	2,631
Investment-oriented insurance salesperson	1,221	1,257	1,279
Fundamental Test of Investment-oriented insurance salesperson and financial market	204	220	226
Property Insurance Salesperson Registration Certificate	1,037	1,041	1,075
Qualification Test for Life Insurance Salesperson Selling Non-Investment Type of Insurance Product in Foreign Currency	962	970	993
Futures specialist	317	319	331
Bill finance specialist	76	77	75
Labor safety and health specialists (Class B certificate for labor safety and hygiene)	4	4	4
Class A Manager of Labor Safety & Health Affairs	51	50	49
Class B Manager of Labor Safety & Health Affairs	81	83	83
Class C Manager of Labor Safety & Health Affairs	22	29	32
Fire Fighting Administrator	132	137	140
First Aid Specialist	146	143	143
Bond Specialist	28	25	25
Basic Proficiency Test on Internal Controls	1,790	1,754	1,798
Securities specialist	309	309	324
Senior securities specialist	234	232	242
Securities investment trust and consulting professionals	182	183	183
Securities investment Analyst	6	4	3
Specialist of "Margin and Stock Loans by Securities Firms"	37	35	43
Assistant real estate Brokers	10	6	7

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	13,312	2,249	15,561
Total training expense (in NT\$ thousand)	14,503	4,050	18,553

(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.



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- (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 2015, the Bank sponsored the foundation to host the "2015 Union Art Competition" and "2015 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. The old-time artist recommended to the panel in 2015.

For eighteen 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

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responsibility of preserving the flower bed just in front of Luzhou Elementary School by outsourcing a service provider to take care of the maintenance.

(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 March, the Bank donated NT\$200,000 to the “2015 Tribal Aid Program ” organized by Children Are Us Foundation. In May, the Bank organized its “Mother’s Day Charity Party.” for Mother’s Day. Total proceeds \$755,623 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. In November, the Bank donated NT\$150,000 to Pingtung County Wutai Township Office for its “Tribal Culture Restoration ” program, and contributed to the preservation of world culture heritage by helping the Rukai people return to their native land

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 2015.

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

The Bank cares for the well-being of local farmers. In May 2015, a purchase was made to Changhua Tianwei Township Farmers’ Association for 34,000 carnations (amounted to NT\$391,000) and distributed them to customers. In December, the Bank purchased roses from Nantou Puli Farmers’ Association and gave them to the public as part of its Christmas celebration. These two purchases were made in an attempt to rally greater support to Taiwan's agricultural industry.

4. Number of non-managerial staff, amount of employee welfare expenses, and differences from the previous year

Unit: NTD thousands; %

Category	2014	2015	Difference	
Personnel expenses	1,893,299	2,027,782	134,482	7.10%
Festive bonus	21,453	21,697	244	1.14%
Wedding and funeral subsidies	930	873	-57	-6.09%
Share-based bonus	42,805	42,247	-558	-1.30%
Welfare expenses	1,958,487	2,092,599	134,112	6.85%
Head count	2,884	3,077	193	6.69%

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Average welfare expense	679	680	1	0.15%
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5. 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”.

6. 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.

7. 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, 2016 to Jan. 21, 2017	Bankers Blanket Insurance	None
Outsource Contract	Yesing Technologies	Dec 4, 2014	Install Cami customer service via email for the Bank	None
Outsource	Union Information Technology Corp.	Jan. 1, 2011	Design &	None

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Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract			maintenance of Web and Mainframe	
Outsource Contract	Union Information Technology Corp.	Jul. 01, 2001	Credit card information system	None
Outsource Contract	IBM	Feb. 01, 2008	Credit card information system	None
Outsource Contract	Financial eSolution Co., Ltd.	Apr. 14, 2008	Chip card transactions processing	None
Outsource Contract	Union Information Technology Corp.	Apr. 01, 2010	Collections system of Convenient Store and tuition	None
Outsource Contract	Smart Star Software Inc.	Nov 05, 2012	Maintenance of debt collection System	None
Outsource Contract	Union Information Technology Corp.	Jun. 01, 2009	e-Gift Voucher Management System	None
Outsource Contract	Mohist Web Technology Co., Ltd.	Jul. 27, 2010	e-Gift Voucher Management System	None
Outsource Contract	Foongtone Technology Co., Ltd.	Jun. 29, 2010	Manufacturing of chip credit cards	None
Outsource Contract	Foongtone Technology Co., Ltd.	Jun. 02, 2008	Manufacturing of chip ATM cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Jun. 10, 2010	Manufacturing of chip credit cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Jan. 23, 2008	Manufacturing of chip ATM cards	None
Outsource Contract	Gemalto Co., Ltd.	Mar. 1, 2007	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 Mobile Payment Corporation	Dec. 17, 2014	Manufacturing of credit cards for the mobile payment tools	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Nov. 01, 2008	Printing and mailing Statement	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Oct. 01, 2008	Printing and mailing integrated Statement	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Jan. 01, 2008	Printing of withholding tax statements	None
Outsource Contract	Ma Chiu Consulting	Mar. 1, 2010	Household registration	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
	Management Co. Ltd.		transport apply	
Outsource Contract	Ma Chiu Consulting Management Co. Ltd.	Apr. 24, 2010	Household registration and financial/tax information search	None
Outsource Contract	SinLinYang Business Consulting Co., Ltd.	Apr. 24, 2009	Household registration and financial/tax information search	None
Outsource Contract	EVERY8D Co., LTD.	Aug. 13, 2012	Messaging system and message delivery service	None
Outsource Contract	IBM	Feb. 01, 2008	Credit card statement printing	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Jul. 31, 2008	Printing, the credit card notification letter and aerogram	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Jul. 31, 2008	Enveloping the credit card notification letter and aerogram	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Jul. 31, 2008	Delivery Service	None
Outsource Contract	Hou Jeh Co., Ltd.	Dec. 31, 2008	Enveloping of printed mail and delivery	None
Outsource Contract	Philip Morris International Taiwan	Nov. 20, 2012	Packaging the redemptions	None
Outsource Contract	Philip Morris International Taiwan	Nov. 20, 2012	Delivery the redemptions	None
Outsource Contract	SYSTEX Corporation	Sep. 01, 2012	Delivery of credit card statements	None
Outsource Contract	SYSTEX Corporation	Jan. 01, 2016	Delivery of credit card e-statements	None
Outsource Contract	Leebao Security Co., Ltd	Aug. 01, 2000	Cash transportation	None
Outsource Contract	Taiwan Security Co., Ltd.	Jan. 01, 2000	Cash transportation	None
Outsource Contract	Jihsun Security Co., Ltd.	Jan. 01, 2000	Cash transportation	None
Outsource Contract	An Fong Enterprise Co., Ltd.	Oct. 01, 2000	ATM banknote replenishment and troubleshooting operation	None
Outsource Contract	Lian-An Service Co., Ltd.	Jan. 01, 2000	ATM banknote replenishment and troubleshooting operation	None
Outsource	Chung Hwa	Jul. 01, 2000	Check clearing	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	Express Corp.		house delivery operation	
Outsource Contract	Transnational Group	Jan. 01, 2013	Check clearing house delivery operation	None
Outsource Contract	Lee & Lin Real Estate Consultant	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Yeah Ju-Cui Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Hsin Yaun Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Ja Chou Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Lin Hsiu-Fan Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Chou Jin-Kuo Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Shih Chang-Chih Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Lin Yin-Hui Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Huang Jin-Yuan Conveyancing Office	Dec 1, 2008	Conveyancing services	None
Outsource Contract	Pu-Hsin Conveyancing Office	Dec 1, 2011	Conveyancing services	None
Outsource Contract	Fong Tai Management Consulting Co., Ltd.	Aug. 28, 2010	Lost car search service	None
Outsource Contract	Tai Ding Industrial Co., Ltd.	Aug. 28, 2010	Lost car search service	None
Outsource Contract	Hong Jeh Management Consulting Co., Ltd.	Dec.01, 2010	Lost car search service	None
Outsource Contract	SinJang Enterprise Co., Ltd.	Jul. 01, 2010	Lost car resell	None
Outsource Contract	Yu San Automobile Co., Ltd .	May. 01, 2010	Lost car resell	None
Outsource Contract	Ho Rong Co., Ltd.	Oct. 01, 2010	Lost car resell	None
Outsource Contract	Justor Collection Management Co. Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource	Pick International	Jul. 01, 2007	Collection of	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	Asset Management Co., Ltd.		receivables	
Outsource Contract	YuBan Credit Management Consulting Co., Ltd.	Jul. 06, 2007	Collection of receivables	None
Outsource Contract	Sparkle Collection Management Co., Ltd	Jul. 01, 2007	Collection of receivables	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	Standard Finance & Credit Management Co., Ltd.	Jul. 01, 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	Hung Lih Asset Management Consulting Co., Ltd.	Oct. 01, 2011	Collection of receivables	None
Outsource Contract	Win Trust International Asset Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Uni-President Enterprises Corporation	Nov. 01, 2010	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, 2008	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.				

A painting of a dog, possibly a Shiba Inu, looking over a cityscape. The dog is in the foreground, looking towards the right. The background shows a dense urban area with many buildings, some with red roofs, and a body of water in the distance. The style is impressionistic with visible brushstrokes.

Operational Highlights

- 8. 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 31,2016 (Note2)
	2011	2012	2013	2014	2015	
Cash and equivalent, due from the Central Bank and other banks	Not Comp lied with IFRS	85,036,973	79,101,215	76,850,501	71,659,720	71,401,755
Financial assets at fair value through profit or loss		8,297,349	10,115,316	18,614,020	9,058,815	18,039,724
Available-for-sale financial assets		10,331,378	8,711,283	13,974,008	23,319,718	35,655,351
Hedging derivative financial instruments		-	-	-	-	-
Securities purchased under resell agreements		21,780,368	20,237,019	26,371,487	22,072,191	18,982,830
Receivable-Net		14,435,559	13,917,483	14,781,594	15,217,776	14,436,429
Current Tax asset		100,505	160,672	332,275	332,660	341,235
Available-for-sale asset-Net		-	-	-	-	-
Discounts & Loans-Net		199,788,512	227,974,804	255,787,180	278,801,052	265,451,312
Held-to-maturity financial asset		811,872	440,233	534,200	4,207,436	5,127,655
Equity Investment(Equity Method)- Net		54,490	54,294	54,183	53,794	53,642
Restricted assets		-	-	-	-	-
Other financial asset – Net		49,714,759	57,559,287	56,835,380	61,133,831	57,731,406
Property and equipment- Net		7,729,000	7,644,442	7,732,876	7,723,438	7,747,869
Investment property-Net		2,792,110	2,777,603	3,691,781	3,703,410	4,818,423
Intangible asset –Net		2,087,971	2,049,795	2,050,999	2,144,240	2,143,482
Deferred tax asset-Net		3,475,913	2,992,503	2,407,704	1,886,538	1,757,682

Financial Highlights

Year		Financial Data for the Past Five Years (Note 1)					Mar 31,2016 (Note2)
		2011	2012	2013	2014	2015	
Item							
Other asset		6,629,256	6,419,023	6,463,385	7,184,578	8,162,902	
Total asset		413,066,015	440,154,972	486,481,573	508,489,197	519,714,501	
Due to the central bank and other banks		6,422,684	5,315,113	6,748,799	3,781,976	6,726,711	
Call loans to the central banks and other banks			-	-	-	-	
Financial liability at fair value through profit or loss		27,417	16,006	211,084	54,271	32,187	
Hedging derivative financial instruments			-	-	-	-	
Securities sold under repurchase agreements		28,289,349	24,582,657	31,791,276	26,986,936	30,410,214	
Payable		6,710,952	4,267,543	5,567,108	4,061,998	3,682,456	
Current Income Tax liability		31,307	18,954	9,849	49,618	35,511	
Liabilities directly associated with assets held for sale		-	-	-	-	-	
Deposit and remittance		336,561,067	364,084,582	395,852,404	421,018,106	422,368,931	
Bank debentures		5,200,000	7,400,000	7,400,000	10,204,397	12,731,686	
Liability component of preferred stocks		-	-	-	-	-	
Other financial liability		1,285,497	2,180,986	2,517,176	2,679,438	3,405,129	
Provision		811,124	769,416	959,941	1,044,534	1,044,562	
Deferred tax liability		352,229	574,580	707,731	881,731	804,269	
Other liability		2,132,118	2,264,761	2,409,132	2,575,775	2,578,684	
Total liability	Before dilution	387,823,744	411,474,598	454,174,500	473,338,780	483,820,360	
	After dilution	387,823,744	411,474,598	454,811,742	Note3	Note3	
BIS total Equity		25,005,371	28,423,332	32,038,122	34,890,164	35,626,504	
Capital stock	Before dilution	20,264,396	22,165,251	24,509,306	26,051,524	26,051,524	
	After dilution	22,122,641	24,448,272	25,979,865	Note3	Note3	
Capital surplus		32,413	34,288	33,006	32,413	32,413	
Retained earnings	Before dilution	4,574,007	5,391,915	6,126,910	7,087,950	7,740,192	
	After dilution	2,534,720	3,099,932	4,009,110	Note3	Note3	
Others equity		134,555	831,878	1,368,900	1,718,277	1,802,375	
Treasury Stock		-	-	-	-	-	
Non control Interest		236,900	257,042	268,951	260,253	267,637	
Total equity	Before dilution	25,242,271	28,680,374	32,307,073	35,150,417	35,894,141	
	After dilution	25,061,229	28,671,412	31,669,831	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 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.

The background of the page is a painting of a coastal town. In the foreground, a boat is docked on the left, and a dog is sitting on the right. The town buildings are visible in the background, with a prominent white building in the center. The overall style is impressionistic with soft colors and visible brushstrokes.

Financial Highlights

Note 3: The 2016 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2015 was not provided.

Financial Highlights

(2) Condensed Balance Sheet-IFRS

In NT\$ thousand

Year Item	Financial Data for the Past Five Year (Note 1)				
	2011	2012	2013	2014	2015
Cash and equivalent, due from the Central Bank and other banks		84,949,171	78,568,012	76,737,109	71,152,457
Financial assets at fair value through profit or loss		8,094,894	9,863,257	18,373,136	8,815,810
Available-for-sale financial assets		10,237,156	8,500,192	13,699,485	22,911,977
Hedging derivative financial instruments		-	-	-	-
Securities purchased under resell agreements		21,764,953	20,230,519	26,350,581	22,052,189
Receivable-Net		14,248,095	13,742,618	14,678,252	15,141,373
Current Tax asset		100,493	160,660	326,786	316,861
Available-for-sale asset-Net		-	-	-	-
Discounts & Loans-Net		201,833,438	230,142,592	257,632,121	280,781,558
Held-to-maturity financial asset		811,872	428,017	521,266	4,191,245
Equity Investment(Equity Method)-Net		2,543,168	2,567,706	2,616,318	2,801,929
Restricted assets		-	-	-	-
Other financial asset – Net		49,485,900	57,830,216	56,639,357	60,966,251
Property and equipment- Net		7,713,002	7,630,976	7,722,206	7,712,684
Investment property-Net		-	-	-	-

Financial Highlights

Year		Financial Data for the Past Five Year (Note 1)				
		2011	2012	2013	2014	2015
Item						
Intangible asset -Net		2,082,738	2,044,866	2,046,198	2,139,834	
Deferred tax asset-Net		3,305,217	2,826,055	2,245,936	1,750,052	
Other asset		2,154,775	1,925,098	1,962,732	2,192,481	
Total asset		409,324,872	436,460,784	481,551,483	502,926,701	
Due to the central bank and other banks		5,115,437	4,924,611	6,164,744	3,163,991	
Call loan to the central bank and other banks		-	-	-	-	
Financial liability at fair value through profit or loss		27,417	16,006	211,084	54,271	
Hedging derivative financial instrument		-	-	-	-	
Securities sold under repurchase agreements		28,289,349	24,582,657	31,791,276	26,986,936	
Payable		6,581,310	4,168,148	5,456,071	3,991,542	
Current Income Tax liability		-	-	-	28,381	
Liabilities directly associated with assets held for sale		-	-	-	-	
Deposit and remittance		337,399,136	365,120,161	396,410,432	421,834,194	
Bank debentures		5,200,000	7,400,000	7,400,000	9,600,000	
Liability component of preferred stocks		-	-	-	-	
Other financial liability		306,392	201,858	18,928	20,408	
Provision		795,785	752,628	942,785	1,026,155	
Deferred tax liability		334,380	556,558	699,730	869,197	
Other liability		270,295	314,825	418,311	461,462	
Total liability	Before dilution	384,319,501	408,037,452	449,513,361	468,036,537	
	After dilution	384,319,501	408,037,452	450,150,603	Note3	
Capital stock	Before dilution	20,264,396	22,165,251	24,509,306	26,051,524	
	After dilution	22,122,641	24,448,272	25,979,865	Note3	
Capital surplus		32,413	34,288	33,006	32,413	

Financial Highlights

Year		Financial Data for the Past Five Year (Note 1)				
		2011	2012	2013	2014	2015
Retained earning	Before dilution		4,574,007	5,391,915	6,126,910	7,087,950
	After dilution		2,534,720	3,099,932	4,019,110	Note3
Other equity			134,555	831,878	1,368,900	1,718,277
Treasury stock			-	-	-	-
Total equity	Before dilution		25,005,371	28,423,332	32,038,122	34,890,164
	After dilution		24,824,329	28,414,370	31,400,880	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 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 2016.

Note 3: The 2016 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2015 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)				
	2011	2012	2013	2014	2015
Item					
Cash and cash equivalent, due from the Central Bank and other banks	110,172,361	Disclosed in Condensed Balance Sheet - IFRS			
Financial assets at fair value through profit or loss	8,167,543				
Securities purchased under resell agreements	251,626				
Available-for-sale financial assets	7,516,896				
Discounts & loans	190,679,993				
Receivables	15,086,661				
Held-to-maturity investment	1,313,015				
Equity investments- Equity method	1,114,794				
Property & equipment	7,956,701				
Intangibles	2,119,709				
Other financial assets	49,631,216				
Other assets	3,714,937				
Total Assets	397,725,452				
Call loans and due to banks	7,007,256				
Deposits and remittance	322,756,910				
Financial liabilities at fair value through profit or loss	33,852				
Securities sold under repurchase agreements	34,522,173				
Payables	5,847,302				
Bank debentures	4,890,000				
Liability component of preferred stocks	-				
Other financial liabilities	337,852				
Other liabilities	365,444				
Total	Before dilution	375,760,789			
Liability	After dilution	375,760,789			
Capital	Before dilution	19,484,996			
Stock	After dilution	19,484,996			
Capital surplus		33,811			
Retained	Before dilution	3,054,066			

Financial Highlights

earning	After dilution	1,517,215
Unrealized profit/(loss) on financial assets		(167,173)
Cumulative translation adjustments		(263,522)
Others		(177,515)
Total	Before dilution	21,964,663
shareholder's Equity	After dilution	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, 2016
		2011	2012	2013	2014	2015	(Note 2)
Interest Revenue			9,088,649	9,239,639	9,516,680	10,098,167	2,497,699
Less: interest expense			3,426,807	3,399,120	3,730,345	4,013,743	969,670
Net interest			5,661,842	5,840,519	5,786,335	6,084,424	1,527,999
Net revenue others than interest			3,628,689	4,650,027	5,148,606	5,656,298	1,152,739
Total net revenue			9,290,531	10,490,546	10,934,941	11,740,722	2,680,738
Provision reversal of allowance for doubtful accounts			(647,490)	(95,868)	(494,806)	(113,942)	(75,528)
Operating expense			6,830,721	7,178,056	7,691,951	8,014,400	1,968,839
Income before income tax			3,107,300	3,408,358	3,737,796	3,840,264	787,427
Income tax (expense) revenue			(460,977)	(520,554)	(614,311)	(701,340)	(127,801)
Income after income tax			2,646,323	2,887,804	3,123,485	3,138,924	659,626
Discontinue segment profit/loss		Not	-	-	-	-	-
Net income		complied	2,646,323	2,887,804	3,123,485	3,138,924	659,626
Other comprehensive income after tax		with IFRS	215,833	686,856	470,169	298,867	84,098
Total comprehensive income			2,862,156	3,574,660	3,593,654	3,437,791	743,724
Net income attributable to owner's of bank			2,634,718	2,867,891	3,093,795	3,120,902	652,242
Net income attributable to Non-controlling interests			11,605	19,913	29,690	18,022	7,384
Net profit attributable to owner's of bank			2,850,536	3,554,518	3,564,000	3,419,774	736,340
Net profit attributable to Non-controlling interests			11,620	20,142	29,654	18,017	7,384
Earning per share			\$1.28	\$1.18	\$1.19	\$1.20	\$0.25

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)				
	2011	2012	2013	2014	2015
Interest Revenue		9,117,046	9,271,343	9,548,551	10,129,098
less: Interest Expense		3,382,254	3,350,022	3,681,523	3,959,175
Net Interest		5,734,792	5,921,321	5,867,028	6,169,923
Net revenues others than interest		1,706,763	2,557,835	2,982,487	3,452,090
Total net revenue		7,441,555	8,479,156	8,849,515	9,622,013
Provision reversal of allowance for doubtful accounts		(647,490)	(95,890)	(494,806)	(113,942)
Operating expenses		5,038,621	5,236,264	5,668,767	5,978,540
Income before income tax		3,050,424	3,338,782	3,675,554	3,757,415
Income tax revenue(expense)		(415,706)	(470,891)	(581,759)	(636,513)
Income after income tax		2,634,718	2,867,891	3,093,795	3,120,902
Discontinue segment profit		-	-	-	-
Net income		2,634,718	2,867,891	3,093,795	3,120,902
Other comprehensive income after tax		215,818	686,627	470,205	298,872
Total comprehensive income		2,850,536	3,554,518	3,564,000	3,419,774
Earning per share		\$1.28	\$1.18	\$1.19	\$1.20

Not complied with IFRS

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 year 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)				
	2011	2012	2013	2014	2015
Net interest	6,662,353				
Net revenues other than interest	644,539				
Bad debts	121,500				
Operating expenses	4,964,012				
Income (loss) before income tax	2,221,380				
Income (loss) before cumulative effect of accounting changes	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)	1,826,615				
Earnings (loss) per share (\$)	\$0.95				

Disclosed in Condensed Income Statement - IFRS

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
2015	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 31,2016
		2011	2012	2013	2014	2015	
Operating capability	Loans to deposits ratio (%)		60.05	63.32	65.27	66.89	63.54
	Non-performing loan ratio (%)		0.24	0.29	0.09	0.05	0.08
	Interest expense to average total deposits (%)		0.89	0.85	0.85	0.86	0.80
	Interest revenue to average total loans (%)		2.61	2.57	2.40	2.36	2.28
	Total asset turnover (times)		0.0228	0.0246	0.0236	0.0236	0.0209
	Average net income per employee		2,670	2,974	3,014	3,078	2,823
	Average earnings per employee		760	819	861	823	695
Profitability	Return on tier 1 capital (%)		14.80	14.54	15.04	14.00	Note9
	Return on assets (%)		0.65	0.68	0.67	0.63	0.51
	Return on equity (%)		10.94	10.71	10.24	9.31	7.43
	Net income ratio (%)		28.48	27.53	28.56	26.74	24.61
	EPS (NT\$)		1.28	1.18	1.19	1.20	0.25
Financial Structure	Total liabilities to total assets ratio (%)		93.86	93.46	93.32	93.05	93.06
	Fixed assets to shareholders' equity ratio (%)		30.62	26.65	23.94	21.97	21.59
Growth rate	Asset growth ratio (%)		2.39	6.56	10.53	4.52	2.21
	Profitability growth ratio (%)		37.00	9.69	9.67	2.74	(17.98)
Cash Flow	Cash flow ratio (%)		-	-	11.50	-	30.52
	Cash flow adequacy ratio (%)		432.32	315.88	214.41	115.75	263.68
	Cash flow reinvestment ratio (%)		-	-	192.64	-	496.71
Liquid Reserve Ratio (%)			29.02	23.86	23.38	20.69	25.32
Balance of Secured Loans to Related Parties			1,395,602	1,840,562	1,781,537	2,357,291	2,303,766
Total Secured Loans to Related Parties as a % of Total Loans			0.65	0.76	0.65	0.8	0.8
Operation Scale	Market share of asset (%)		1.00	0.97	0.99	1.00	Note 10
	Market share of net worth (%)		0.96	1.01	1.03	1.03	
	Market share of deposits (%)		1.03	1.06	1.08	1.09	
	Market share of loans (%)		0.93	1.03	1.10	1.16	

Not Complied with IFRS

Financial Highlights

Year Item(Note3)	Financial Data for the Past Five Years (Note1)					Mar 31,2016
	2011	2012	2013	2014	2015	

1. The fluctuation of Cash flow ratio was primarily due to the decrease of financial liabilities in 2015.

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 year 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 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.

Financial Highlights

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)				
		2011	2012	2013	2014	2015
Operating capability	Loans to deposits ratio (%)		60.50	63.73	65.65	67.23
	Non-performing loan ratio (%)		0.23	0.29	0.09	0.05
	Interest expense to average total deposits (%)		0.89	0.85	0.85	0.86
	Interest revenue to average total loans (%)		2.60	2.56	2.40	2.36
	Total asset turnover (times)		0.0184	0.0201	0.0193	0.0195
	Average net income per employee		2,320	2,610	2,637	2,717
	Average earnings per employee		822	883	942	881
Profitability	Return on tier 1 capital (%)		15.07	14.17	14.72	13.67
	Return on assets (%)		0.65	0.68	0.67	0.63
	Return on equity (%)		11.00	10.74	10.23	9.33
	Net income ratio (%)		35.41	33.82	34.96	32.44
	EPS (NT\$)		1.28	1.18	1.19	1.20
Financial Structure	Total liabilities to total assets ratio (%)		93.86	93.47	93.31	93.02
	Fixed assets to shareholders' equity ratio (%)		30.85	26.85	24.10	22.11
Growth rate	Asset growth ratio (%)		2.40	6.63	10.33	4.44
	Profitability growth ratio (%)		37.32	9.45	10.09	2.23
Cash Flow	Cash flow ratio (%)		-	-	8.27	-
	Cash flow adequacy ratio (%)		1791.51	1493.53	892.03	364.32
	Cash flow reinvestment ratio (%)		-	-	11159.37	-
Liquid Reserve Ratio (%)			29.02	23.86	23.38	20.69
Balance of Secured Loans to Related Parties			3,440,528	4,008,350	3,626,478	4,337,797
Total Secured Loans to Related Parties as a % of Total Loans			1.61	1.65	1.32	1.47
Operation Scale	Market share of asset (%)		0.99	0.97	0.98	0.99
	Market share of net worth (%)		0.95	1.00	1.02	1.02
	Market share of deposits (%)		1.03	1.06	1.08	1.09
	Market share of loans (%)		0.94	1.04	1.11	1.17
The reason of financial ratio fluctuation in recent year:						
1. The fluctuation of Cash flow ratio was primarily due to the decrease of financial liabilities.						

Not Complied with IFRS

Financial Highlights

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 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*.

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

Financial Highlights

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				
		2011	2012	2013	2014	2015
Item						
Operating capability	Loans to deposits ratio (%)	59.70	Disclosed in Financial Report of IFRS			
	Non-performing loan ratio (%)	0.36				
	Interest expense to average total deposits (%)	0.76				
	Interest revenue to average total loans (%)	2.60				
	Total asset turnover (times)	0.0184				
	Average net income per employee	2,349				
	Average earnings per employee	587				
Profitability	Return on tier 1 capital (%)	15.28				
	Return on assets (%)	0.48				
	Return on equity (%)	8.69				
	Net income ratio (%)	25.00				
	EPS (NT\$)	0.95				
Financial Structure	Total liabilities to total assets ratio (%)	94.47				
	Fixed assets to shareholders' equity ratio (%)	36.23				

Financial Highlights

Year		Financial Data in the past five years				
		2011	2012	2013	2014	2015
Growth rate	Asset growth ratio (%)	9.54				
	Profitability growth ratio (%)	21.22				
Cash Flow	Cash flow ratio (%)	9.50				
	Cash flow adequacy ratio (%)	2,533.15				
	Cash flow reinvestment ratio (%)	12.46				
Liquid Reserve Ratio (%)		29.97				
Balance of Secured Loans to Related Parties		3,022,980				
Total Secured Loans to Related Parties as a % of Total Loans		1.49				
Operation Scale	Market share of asset (%)	1.00				
	Market share of net worth (%)	0.91				
	Market share of deposits (%)	1.02				
	Market share of loans (%)	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.

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.

Financial Highlights

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, 2016
			2011	2012	2013	2014	2015	
Regulatory Capital	Common Stock Equity				23,562,741	26,380,471	28,573,380	29,961,958
	Other Tier1 Capital of Non- Common Stock Equity				0	0	0	1,665,288
	Tier2 Capital				6,624,701	6,462,888	7,817,292	7,627,539
	Regulatory Capital				30,187,442	32,843,359	36,390,672	39,254,785
Risk Weighted Assets	Credit risk	Standardized Approach			190,929,908	214,767,222	232,370,458	240,069,382
		Internal Ratings-Based Approach			-	-	-	-
		Credit Valuation Adjustment (CVA)			18,320	8,416	14,776	14,495
		Asset Securitization			1,219,545	1,262,627	1,227,133	1,189,248
	Operation risk	Basic Indicator Approach			15,405,625	15,555,738	16,711,475	16,711,482
		Standardized Approach/ Alternative Standardized Approach			-	-	-	-
		Advanced Measurement Approach			-	-	-	-
	Market Risk	Standardized Approach			9,234,588	17,206,850	25,658,013	24,434,161
		Internal Model Approach			-	-	-	-
	Total Risk-weighted Assets				216,807,986	248,800,853	275,981,855	282,418,768
Capital Adequacy Ratio				13.92%	13.20%	13.19%	13.90%	
Ratio of tier 1 capital to risk-weighted assets				10.87%	10.60%	10.35%	11.20%	
Ratio of common stock equity to risk-weighted assets				10.87%	10.60%	10.35%	10.61%	
Leverage Ratio						5.28%	5.70%	

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 2016.

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)				
			2011	2012	2013	2014	2015
Regulatory Capital	Common Stock Equity				23,436,734	26,284,281	28,573,960
	Other Tier1 Capital of Non- Common Stock Equity				0	0	0
	Tier2 Capital				9,229,142	9,094,428	10,537,483
	Regulatory Capital				32,665,876	35,378,709	39,111,443
Risk Weighted Assets	Credit risk	Standardized Approach			199,593,002	222,034,638	240,005,077
		Internal Ratings-Based Approach			-	-	-
		Credit Valuation Adjustment (CVA)			18,320	8,416	14,776
		Asset Securitization			1,252,907	1,262,627	1,227,133
	Operation risk	Basic Indicator Approach		Not Applicable to Basel III	17,706,850	17,986,163	19,034,288
		Standardized Approach/ Alternative Standardized Approach			-	-	-
		Advanced Measurement Approach			-	-	-
	Market Risk	Standardized Approach			10,280,113	18,233,988	26,975,300
		Internal Model Approach			-	-	-
	Total Risk-weighted Assets				228,851,192	259,525,832	287,256,574
Capital Adequacy Ratio				14.27%	13.63%	13.62%	
Ratio of tier 1 capital to risk-weighted assets				10.24%	10.13%	9.95%	
Ratio of common stock equity to risk-weighted assets				10.24%	10.13%	9.95%	
Leverage Ratio						5.21%	

Note1: The financial data in 2013 was computed based on the BASEL3 standards and was audited by CPA.

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	
		2011	2012
Tier1 capital	Common Stock	16,459,908	20,060,202
	Irredeemable non-cumulative preferred stock	0	0
	Non-cumulative subordinate debentures with no maturity date	0	0
	Capital collected in advance	0	0
	Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	33,811
	Legal Reserve	352,978	900,963
	Special Reserve	874,473	608,209
	Cumulative Profit/Loss	1,826,615	2,621,624
	Minority Shareholding	0	0
	Other Shareholders' Equity	-1,036,271	-1,137,674
	Less: Goodwill	2,119,709	1,985,307
	Unamortized loss on sale of delinquent loans	0	0
	Deferred income tax assets based on the bank's future profitability	0	0
	Unrealised gain on available-for-sale financial assets	0	0
	Deduction items	856,919	861,657
	Total Tier 1 Capital	15,534,886	20,240,171
	Tier2 Capital	Irredeemable Cumulative Preferred Stock	3,025,088
Cumulative subordinate debentures with no maturity date		0	0
Fixed asset revaluation increment surplus		0	0
45% of unrealized gain on financial assets available for sale		192,628	351,934
Convertible bonds		0	0
Operating reserve and allowance for bad debts		0	656,743
Long-term subordinate debentures		2,880,000	4,040,000
Redeemable preferred stocks		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
Less: Deduction items		851,875	861,657
Less: 50% of Cumulative Loss		0	0
Total Tier 2 Capital	5,245,841	4,391,214	
Tier3 Capital	Short-term subordinate debentures	0	0
	Redeemable preferred stock	0	0
	Total Tier 3 Capital	0	0
Regulatory Capital		20,780,727	24,631,385

Financial Highlights

Item		Year(Note 1)	The capital adequacy of recent five years	
			2011	2012
Risk Weighted Assets	Credit risk	Standardized Approach	157,020,298	172,264,571
		Internal Ratings-Based Approach	0	0
		Credit Valuation Adjustment (CVA)	0	0
		Asset Securitization	0	2,173,343
	Operation risk	Basic Indicator Approach	15,633,843	15,472,421
		Standardized Approach/ Alternative Standardized Approach	0	0
		Advanced Measurement Approach	0	0
	Market Risk	Standardized Approach	5,666,525	6,945,775
		Internal Model Approach	0	0
	Total Risk-weighted Assets		178,320,666	196,856,110
Capital Adequacy Ratio		11.65%	12.51%	
Ratio of tier 1 capital to risk-weighted assets		8.71%	10.28%	
Ratio of tier 2 capital to risk-weighted assets		2.94%	2.23%	
Ratio of tier 3 capital to risk-weighted assets		0	0	
Ratio of common stocks to total assets		4.14%	4.93%	

Note1: All financial data from 2011 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)		
		2011	2012	
Tier1 capital	Common Stock	16,459,908	20,060,202	
	Irredeemable non-cumulative preferred stock	0	0	
	Non-cumulative subordinate debentures with no maturity date	0	0	
	Capital collected in advance	0	0	
	Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811	33,811	
	Legal Reserve	352,978	900,963	
	Special Reserve	874,473	608,209	
	Cumulative Profit/Loss	1,826,615	2,621,624	
	Minority Shareholding	225,047	236,568	
	Other Shareholders' Equity	-1,036,271	-1,137,674	
	Less: Goodwill	2,119,709	1,985,307	
	Unamortized loss on sale of delinquent loans	0	0	
	Deduction items	364,323	340,871	
	Total Tier 1 Capital	16,252,529	20,997,525	
Tier2 capital	Irredeemable Cumulative Preferred Stock	3,025,088	204,194	
	Cumulative subordinate debentures with no maturity date	0	0	
	Fixed asset revaluation increment surplus	0	0	
	45% of unrealized gain on financial assets available for sale	192,628	351,934	
	Convertible bonds	0	0	
	Operating reserve and allowance for bad debts	23,894	660,432	
	Long-term subordinate debentures	2,880,000	4,040,000	
	Redeemable preferred stocks	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	
	Less: Deduction items	364,323	340,871	
	Less: 50% of Cumulative Loss	0	0	
Total Tier 2 Capital	5,757,287	4,915,689		
Tier3 capital	Short-term subordinate debentures	0	0	
	Redeemable preferred stock	0	0	
	Total Tier 3 Capital	0	0	
Regulatory Capital		22,009,816	25,913,214	
Risk-weighted Assets	Credit risk	Standardized Approach	164,071,544	179,355,940
		Internal Ratings-Based Approach	0	0
		Asset Securitization	37,186	2,210,034
	Operational risk	Basic Indicator Approach	17,361,014	17,483,582
		Standardized Approach/ Alternative Standardized Approach	0	0
		Advanced Measurement Approach	0	0
	Market risk	Standardized Approach	5,790,138	7,249,375
		Internal Model Approach	0	0
Total Risk-weighted Assets		187,259,882	206,298,931	

Financial Highlights

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

Note1: All financial data from 2011 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 2015 Financial Statements

Union Bank of Taiwan Co., Ltd.

Audit Committee's Report

The Board of Directors of the Bank has prepared and submitted the 2015 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 14-4 and Article 219 of the Company Act, we hereby submit this report.

Union Bank of Taiwan Co.,Ltd.

Concener of Audit Committee : Guo-Zhang Li



March 16, 2016

4. Financial Statements for 2015 : Please refer to Appendix

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, 2015	Dec. 31, 2014	Difference	
				Amount	%
Cash & cash equivalent, Due from Central Bank and other banks		71,659,720	76,850,501	(5,190,781)	-6.75%
Financial assets at fair value through profit or loss(note 1)		9,058,815	18,614,020	(9,555,205)	-51.33%
Securities purchased under re-sale agreements		22,072,191	26,371,487	(4,299,296)	-16.30%
Account receivable – net		15,217,776	14,781,594	436,182	2.95%
Current income tax asset		332,660	332,275	(9,615)	-2.89%
Discount & loans – net		278,801,052	255,787,180	23,013,872	9%
Financial assets available for sale – net		23,319,718	13,974,008	9,345,710	66.88%
Held-to-maturity investment financial asset (note 2)		4,207,436	534,200	3,673,236	687.61%
Stock investments accounted for under the Equity Method		53,794	54,183	(389)	-0.72%
Other Financial Assets - net		61,133,831	56,835,380	4,298,451	7.56%
Property & equipment – net		7,723,438	7,732,876	-9,438	-0.12%
Investment property-net		3,703,410	3,691,781	11,629	0.31%
Intangibles		2,144,240	2,050,999	93,241	4.55%
Due to Central Bank & other banks		1,886,538	2,407,704	(521,166)	-21.65%
Other assets		7,184,578	6,463,385	721,193	11.16%
Total assets		508,489,197	486,481,573	22,007,624	4.52%
Due to Central Bank & other banks		3,781,976	6,748,799	-2,966,823	-43.96%
Financial liability at fair value through profit or loss(Notes 3)		54,271	211,084	(-156,813)	-74.29%
Securities sold under re-purchase agreement		26,986,936	31,791,276	(4,804,340)	-15.11%
Accounts Payable (Notes4)		4,061,998	5,567,108	(1,505,110)	-27.04%
Current income tax liabilities		49,618	9,849	39,769	403.79%
Deposit & remittance		421,018,106	395,852,404	25,165,702	6.36%
Bank debentures		10,204,397	7,400,000	2,804,397	37.90%
Other financial liability(Note5)		2,679,438	2,517,176	162,262	6.45%
Provision		1,044,534	959,941	84,593	8.81%
Deferred income tax liabilities		881,731	707,731	174,000	24.59%
Other liabilities		2,575,775	2,409,132	166,643	6.92%
Total liabilities		473,338,780	454,174,500	19,164,280	4.22%
Capital stock		26,051,524	24,509,306	1,542,218	6.29%
Capital surplus		32,413	33,006	(593)	-1.8%
Retained earnings		7,087,950	6,126,910	961,040	15.69%
Others equity (note 6)		1,718,277	1,368,900	349,377	25.52%

Analysis of the Financial Status and Operating Results & Risk Management

Total equity attributable to owners of the Bank	34,890,164	32,038,122	2,852,042	8.9%
Non control interest	260,253	268,951	(8,698)	-3.23%
Total Equity	35,150,417	32,307,073	2,843,344	8.8%

Notes:

1. The decrease in financial assets at fair value through profit or loss was due to and decrease of \$9,823 million in total commercial paper investment in 2015.
2. The increase of available-for-sale financial assets was due to the increase of stock investment and financial debt in 2015
3. The increase in held-to-maturity financial assets was due primarily to the increase of \$3,669 million in Government Bond and Corporate Bond Investment in 2015.

2. Results of Operation

In NT\$ thousand

Item	2015		2014		Change in Amount	Change in %
	Amount		Amount			
Interest Income		6,084,424		5,786,335	298,089	5.15%
Income other than Interest Income		5,656,298		5,148,606	507,692	9.86%
Reversal of Bad debt expense		(113,942)		(494,806)	380,864	-76.97%
Operating expense		8,014,400		7,691,951	322,449	4.19%
Income (loss) before tax		3,840,264		3,737,796	102,468	2.74%
Income tax benefits (expense)		701,340		614,311	87,029	14.17%
Consolidated income		3,138,924		3,123,485	15,439	0.49%
Other comprehensive income, net of income tax		298,867		470,169	(171,302)	-36.43%
Total comprehensive income		3,437,791		3,593,654	(155,863)	-4.34%

Notes of change: Increase in bad debt expense (reversal) was mainly due to additional loan loss provisions (totaling 1.5%) that the Bank is required to make before the end of 2016 on category-1 portfolios including housing loans, renovation loans, and construction loans (excludes policy-sponsored loans granted after 2011.1.1).

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

Item	Year	2015	2014	Change in %
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Analysis of the Financial Status and Operating Results & Risk Management

Cash flow ratio (%)	-	11.50%	-11.50%
Cash flow adequacy ratio (%)	115.75%	214.41%	-98.66%
Cash flow satisfaction ratio (%)	-	192.64%	192.64%

Analysis of changes in proportion:

1. 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
78,518,946	25,271,842	(1,949,523)	101,841,265	-	-

1. Cash flow analysis:

- (1) Operating activities: The increase was due to the growth of operating activities.
- (2) Investing and financing activities: The increase in the issue of Bank debentures to meet the business demand of growth.
- (3) 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 : None

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

(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 2015

The Bank's Investment profit recognized in 2015 totalled NT\$169,000,000 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-2015

Analysis of the Financial Status and Operating Results & Risk Management

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 departments, performing the risk control and 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 properly supervising the performance of risk control of respective business unit. 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.
3. Scope and characteristics of credit risk reporting and measurement system	<p>Scope of Risk Reporting</p> <ol style="list-style-type: none"> 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. 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>Measurement System: The Bank adopts the Standardized Approach to compute the capital requirement</p>

Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
	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.
4. Credit risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	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. 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.
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, 2016

In NT\$ thousand

Type of exposure	Exposure after risk reduction	Capital requirement(Note)
Sovereign states	0	
Public departments other than the central government	5,769,140	461,531
Banks (including multiple development banks)	9,181,891	734,551
Enterprises (including securities and insurance companies)	58,397,925	4,671,834
Retailing credits	118,772,489	9,501,799
Residential real estate	37,746,614	3,019,729
Investments in equity securities	323,426	25,874
Other assets	9,877,897	790,233
Total	240,069,382	19,205,551

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 2015

Item	Contents
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Analysis of the Financial Status and Operating Results & Risk Management

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 hedging and risk reduction tools	The relevant units shall review and control the securitized products periodically.
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	<p style="text-align: center;">Not applicable</p> <p>since the Bank does not act as the originating bank of securitized product.</p>

Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
credit and market fluctuation related to securitization exposure. e. Management policy of offsetting credit risk in securitization and re securitization.	
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, 2015

Type	Total issue amount	Outstanding balance	Amount repurchased
None			

Analysis of the Financial Status and Operating Results & Risk Management

c. Exposure & Capital Requirement of Asset Securitization As of December 31, 2015

In NT\$ thousand

		Book Type		The role of bank					
Type of exposure	Type of exposure	CMO		CMO				CMO	
		Bank Book	Trade Book	Subtotal	Bank Book	Trade Book	Subtotal		
		Non-originating bank		Originating bank				Total	
Conventional	Exposures	Held or Purchased	51,629,961	0	51,629,961				51,629,961
		Liquidity facilities provided	0	0	0				
		The enhancement of credit provided	0	0	0				
		Subtotal (1)	51,629,961	0	51,629,961				51,629,961
	Capital requirement (2)	98,171	0	98,171				98,171	
Portfolio	Exposure	Held or Purchased (3)	0	0	0				
		Capital requirement (4)	0	0	0				
Total		Exposures (5) = (1) + (3)	51,629,961	0	51,629,961				51,629,961
		Capital requirement (6) = (2) + (4)	98,171	0	98,171				98,171
		Capital requirement prior to securitization							

Analysis of the Financial Status and Operating Results & Risk Management

d. Information of Securitized commodities investment As of December 31, 2015
I. Summary of Investment in Securitized commodities

USD : NTD = 1 : 33.066

In NT\$ thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
CMO	Held-to-maturity financial assets	28,436	0	0	28,436
CMO	Non-active market debt instruments	51,681,386	0	234,871	51,446,515

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 : 33.066

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	20091130-20151230	2.5%~5.5%	Moody's Aaa	Monthly	42,584,479	0	193,285	42,391,194		
				20160602-20280822									
Freddie CMO	Non-active market debt instruments	USD	Freddie Mac	20121030-20121130	3.0%~3.5%	Fitch AAA	Monthly	749,311	0	3,401	745,901	N/A	N/A
				20181004-20270923									
Fannie Mae CMO	Non-active market debt instruments	USD	Fannie Mae	20121030	3.0%	S&P AA+	Monthly	1,270,916	0	5,769	1,265,147		
				20190423									

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

Analysis of the Financial Status and Operating Results & Risk Management

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

2015

Item	Risks
1. Operation risk management strategies and procedures	<p>Strategies: 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: The Bank has built up an operation risk management mechanism through procedures for risk identification, assessment, measuring, monitoring and reporting.</p>
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.

Analysis of the Financial Status and Operating Results & Risk Management

Item	Risks
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, 2015

In NT\$ thousand

Year	Gross profit	Capital requirement
2013	8,470,659	
2014	8,724,693	
2015	9,542,818	
Total	26,738,369	1,336,918

D. Market Risk Management System and Capital Requirement

a. Market Risk Management System – 2015

Item	Contents
1. Market risk management	1. The Bank has enacted “UNION BANK market risk management principle” approved

Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
strategies and procedures	<p>by the Board of Directors, as the basis for market risk management.</p> <p>2. The management procedure of market risk management contains the following five processes:</p> <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.
3. Scope and characteristics of the market risk reporting and measurement system	<ol style="list-style-type: none"> 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	<p>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,</p>

Analysis of the Financial Status and Operating Results & Risk Management

Item	Contents
strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	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, 2015

In NT\$ thousand

Type of risk	Capital requirement
Interest rate risk	101,785
Equity securities risk	1,633,409
Foreign exchange risk	317,446
Product risk	0
Total	2,052,640

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, 2015

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	431,591,750	55,751,108	57,635,697	37,355,636	34,370,648	70,907,801	175,570,860
Main capital outflow on maturity	518,276,838	19,955,677	36,633,189	53,509,710	67,062,795	138,934,077	202,181,381
Gap	-86,685,088	35,795,431	21,002,508	-16,154,083	-32,692,147	-68,026,276	-26,610,521

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.

b. Maturity Analysis of USD Assets and Liabilities

December 31, 2015

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	2,525,740	507,795	39,251	86,615	208,800	1,683,279
Main capital outflow on maturity	2,525,683	1,154,159	161,841	635,230	330,450	244,003
Gap	57	-646,364	-122,590	-548,615	-121,650	1,439,276

Note: The figures in above Table represent the foreign currency (in USD equivalent) assets and liabilities for the Head Office,

Analysis of the Financial Status and Operating Results & Risk Management

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. The FSC has relaxed its restrictions and given banks more room to invest. The Bank's investment limit is now determined based on "net worth," which should allow greater freedom.
- B. Following recent amendments to the Financial Consumer Protection Act, financial consumers are now able to claim compensations from their financial service providers for up to 300% of the damages they suffer. Furthermore, conducts that severely undermine the interests of financial consumers may be subject to severe penalties, including scalable fines that are calculated based on violators' gains. This new amendment will undoubtedly present additional compliance risks; however, the Bank has included compliance topics into its training programs to make sure employees are fully aware of consumer protection issues, and thereby avoid potential disputes.
- C. In response to the requirement of the F.S.C. that card issuing institution should execute the conversion mechanism of long-term revolving credit card holder to the target (25%) either conversion cards or conversion amounts. In 2015 Dec, the bank's conversion rate was 25.61% (9,196) that meet the requirement of F.S.C..

Analysis of the Financial Status and Operating Results & Risk Management

- D. The revised Paragraph 2, Article 47-1 of the Banking Act reads: “From September 1, 2015 onwards, cash card interest rate and credit card revolving interest rate shall be capped at 15% per annum.” This interest rate cap was estimated to have reduced 2015 interest revenues by NT\$30 million. To minimize impacts of the reduced spread, the Company will be tightening control over customers that present high overdue risks, while taking steps to reduce costs by revising cardholders’ privileges.
- E. Paragraph 2, Article 44 of Regulations Governing Institutions Engaging In Credit Card Business underwent an amendment in May 2014 that requires a minimum payment of 5% on current cash advance withdrawals and unpaid spending and cash advance balances carried from previous periods, effective from July 1, 2015 onwards. This was an upward adjustment from the previous 2%, and will have the effect of speeding up repayment of cardholders’ balances.
- (3) The Effect of Technological and Industrial Changes on the Bank’s Financial Position and its Response Actions thereof: Third party payment, Internet banking, cloud service, mobile payment, and big data are bringing rapid and irreversible changes to customers’ behaviors and spending patterns, and are revolutionizing the ways banking services are delivered. Arrival of the digital banking era means that many conventional banking services will be automated and replaced by machines, and banks will no longer rely on branches to carry out services as much as they used to. In response to digital banking, the Bank will be introducing new services, training programs, and solutions to help employees through the transition.
- (4) The effect of change in the Bank’s corporate image on the Bank and its response actions:
The Bank will be promoting its brand to appeal to the young population and reach new customers. To achieve this goal, brand images and product advertisements need to be created anew and exposed through digital media, social networks, and mobile devices for greater awareness. In addition, the brand should be associated across different industries through sponsorship and strategic alliance, and associated with charity events or arts for a more positive image. In addition to adopting a spokesperson system, the Bank also has a set of “Union Bank of Taiwan Crisis Management Guidelines” and “Inside Material Information Procedures” in place to ensure proper communication with the media, and avoid public relation crises that would hurt the corporate image. Should a corporate image crisis arise, the issue will be escalated to the accountable department according to SOP. Meanwhile, the public will be addressed through the spokesperson in an appropriate manner to prevent damage from spreading, and thereby protect the Bank’s reputation 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

Analysis of the Financial Status and Operating Results & Risk Management

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 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

A painting of a dog, possibly a golden retriever, looking out over a cityscape. The dog is in the foreground, and the city buildings are in the background, rendered in a soft, painterly style.

Analysis of the Financial Status and Operating Results & Risk Management

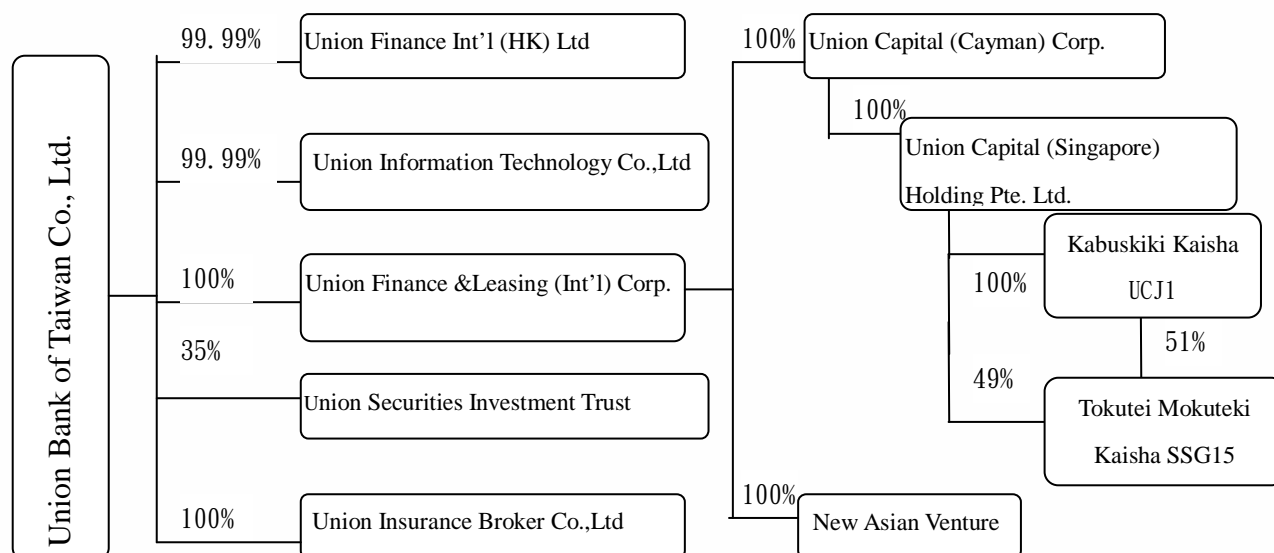
disaster rescue measures effectively. The various business units shall perform the disaster education training and drill in accordance with the Bank's "Instructions to Safety Protection" and "Safety Protection Drill Implementation Plan", and shall also check and maintain the safety facilities more than 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	940,000	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	127,172	Lease investment businesses °

Affiliated and Special Notes

Tokutei Mokuteki Kaisha SSG15	2014.9.19	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	392,835	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	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)	94,000,000	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)	1	100.00%
	Director	Ru-Jwu Tsai	0	0
Kabuskiki Kaisha UCJ1	Director	Union Finance Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	9,259	100%
Tokutei Mokuteki Kaisha SSG15	Director	Union Finance Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	14,015	49%
	Director	Kabuskiki Kaisha UCJ1 (Representative: Cheng-Juh Hsieh)	14,586	51%

Affiliated and Special Notes

(3) General Information of Affiliated Enterprises

December 31, 2015

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. Note1	127,992	322,641	250,262	72,379	(180)	(10,602)	(11,435)	-
Union Information Technology Co., Ltd.	10,000	94,865	68,682	26,183	149,090	2,733	11,730	11.73
Union Finance & Leasing (International) Co., Ltd.	940,000	9,601,347	7,135,470	2,465,877	2,043,658	149,258	131,849	1.40
Union Securities Investment Trust Co., Ltd.	300,000	423,197	22,811	400,386	122,751	23,199	27,725	0.92
Union Insurance Broker Co., Ltd.	5,000	93,759	50,198	43,561	1,063,132	33,388	27,965	55.93
Union Capital (Cayman) Corp. Note2	1,608	1,029,494	524,088	504,406	23,057	22,948	22,948	142.71
New Asian Ventures Ltd.	1	80,775	20	80,775	845	769	769	769.00
Union Capital (Singapore) Holding PTE. Ltd. Note2	1	1,028,348	1,014,581	13,767	14,571	13,245	13,245	13,245
Kabuskiki Kaisha UCJI Note2	63,607	528,223	393,540	134,683	9,457	9,081	8,747	0.94
Tokutei Mokuteki Kaisha SSG15 Note2	392,913	1,100,725	669,089	431,636	71,259	38,778	38,305	1.34

Note1: HKD/TWD:4.266415 for Asset and Liability items HKD/TWD:4.122426 for P/L items

Note2: JPY/TWD:0.274246 for Asset and Liability items JPY/TWD:0.264307 for P/L Items

(4) Relationships between the business activities conducted by affiliated enterprises: please refer to Page 146 to Page 148.

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**

The background of the page is a painting of a traditional Chinese town. In the foreground, a cat is perched on a tiled roof, looking towards the right. The town below is built on a hillside, with white buildings and a winding path. The style is impressionistic with visible brushstrokes.

Affiliated and Special Notes

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
Taipei Branch	No.105, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02)2556-8500
Business Department	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	1F&3F, No.468, Bo'ai 1st Rd., Gushan District, Kaohsiung City 804, 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, 2015 and 2014 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

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

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

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

March 16, 2016

Notice to Readers

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

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

UNION BANK OF TAIWAN

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

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

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

(Continued)

UNION BANK OF TAIWAN

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

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

(Continued)

UNION BANK OF TAIWAN

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

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

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

(Concluded)

UNION BANK OF TAIWAN

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

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

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

UNION BANK OF TAIWAN

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

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

(Continued)

UNION BANK OF TAIWAN

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

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

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

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

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

(Concluded)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (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, 2015, the Bank’s operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 90 domestic branches (including Business Department).

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

1) IFRS 13 "Fair Value Measurement"

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

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

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

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

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

3) Revision to IAS 19 "Employee Benefits"

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

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

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

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

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

6) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

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

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

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

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

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

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

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

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

(Continued)

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

(Concluded)

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

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

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

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

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

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

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

6) IFRS 15 “Revenue from Contracts with Customers”

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

7) Annual Improvements to IFRSs: 2012-2014 Cycle

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

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

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

8) IFRS 16 “Leases”

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

Foreign Currencies

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

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

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

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

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

Investments Accounted for Using the Equity Method

a. Investments in subsidiaries

Subsidiaries are the entities controlled by the Bank.

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

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

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

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

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

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

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

b. Investment in associates

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

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

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

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

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

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

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

When the Bank transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank'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 that are written off against the allowance account.

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at fair value through profit or loss

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

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to key management personnel; or
- c) A contract contains one or more embedded derivatives such that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

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

2) Financial guarantee contracts

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Nonperforming Loans

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

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

Allowance for Doubtful Accounts and Reserve for Losses on Guarantees

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

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

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

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

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

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

Repurchase and Resell Transactions

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

Property and Equipment

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

Freehold land is not depreciated.

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

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

Goodwill

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

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

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

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

Intangible Assets

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.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Income Tax

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Interest Revenue and Service Fees

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Estimated impairment of loans and receivables

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

c. Fair value measurements and valuation processes

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

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

d. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

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

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

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

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

(Continued)

	December 31	
	2015	2014
<u>Financial assets designated as at fair value through profit or loss</u>		
Corporate bonds	\$ 1,076,321	\$ 1,362,869
Principal guaranteed notes	<u>827,875</u>	<u>459,947</u>
	<u>1,904,196</u>	<u>1,822,816</u>
	<u>\$ 8,815,810</u>	<u>\$ 18,373,136</u>

Financial liabilities held for trading

Derivative instrument		
Option contracts	\$ 24,190	\$ 104,511
Forward exchange contracts	23,115	102,298
Currency swap contracts	<u>6,966</u>	<u>4,275</u>
	<u>\$ 54,271</u>	<u>\$ 211,084</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, 2015 and 2014 were as follows:

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

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

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

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

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

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

14. HELD-TO-MATURITY FINANCIAL ASSETS

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

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

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

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

a. Investments in subsidiaries

	December 31	
	2015	2014
Union Finance and Leasing International Corporation (UFLIC)	\$ 2,465,877	\$ 2,294,342
Union Securities Investment Trust Corporation (USITC)	140,135	144,819
Union Finance International (H.K.) Limited	72,379	81,269
Union Insurance Broker Company (UIB)	43,562	25,237
Union Information Technology Corporation (UIT)	<u>26,182</u>	<u>16,468</u>
	<u>\$ 2,748,135</u>	<u>\$ 2,562,135</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	
	2015	2014
Union Finance and Leasing International Corporation (UFLIC)	100.00%	100.00%
Union Securities Investment Trust Corporation (USITC)	35.00%	35.00%
Union Finance International (H.K.) Limited	99.99%	99.99%
Union Insurance Broker Company (UIB)	100.00%	100.00%
Union Information Technology Corporation (UIT)	99.99%	99.99%

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

b. Investment in as associates

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Union Real-Estate Management Corporation	\$ 53,794	\$ 54,183
I Pass Corporation	<u> -</u>	<u> -</u>
	<u>\$ 53,794</u>	<u>\$ 54,183</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.

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

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Net loss	<u>\$ (389)</u>	<u>\$ (111)</u>

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

16. OTHER FINANCIAL ASSETS, NET

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

a. Debt instruments with no active markets

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

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

b. Financial assets carried at cost, net

	December 31	
	2015	2014
Unquoted stocks		
I Pass Corporation (Note 15)	\$ 123,320	\$ 123,320
Financial Information Service Company	118,782	118,782
Taiwan Asset Management Corporation	75,000	75,000
Taiwan Future Exchange Corporation	71,250	71,250
Taiwan Financial Asset Service Corporation	50,000	50,000
Other	<u>73,162</u>	<u>77,099</u>
	<u>\$ 511,514</u>	<u>\$ 515,451</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 - time deposits with maturities longer than three months and certificate of deposit cannot be cancelled or used.

17. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
<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>
<u>Cost</u>							
Balance at January 1, 2015	\$ 3,421,707	\$ 5,073,535	\$ 1,268,462	\$ 269,892	\$ 471,475	\$ 127,387	\$ 10,632,458
Additions	-	10,722	101,239	6,760	49,220	81,146	249,087
Disposals	-	-	(68,298)	(3,324)	-	-	(71,622)
Reclassification	-	2,970	101,911	728	9,717	(164,138)	(48,812)
Balance at December 31, 2015	<u>3,421,707</u>	<u>5,087,227</u>	<u>1,403,314</u>	<u>274,056</u>	<u>530,412</u>	<u>44,395</u>	<u>10,761,111</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2015	-	1,174,004	1,135,785	237,144	363,319	-	2,910,252
Depreciation	-	114,315	49,918	6,962	36,574	-	207,769
Disposals	-	-	(66,338)	(3,256)	-	-	(69,594)
Balance at December 31, 2015	<u>-</u>	<u>1,288,319</u>	<u>1,119,365</u>	<u>240,850</u>	<u>399,893</u>	<u>-</u>	<u>3,048,427</u>
Balance at December 31, 2015, net	<u>\$ 3,421,707</u>	<u>\$ 3,798,908</u>	<u>\$ 283,949</u>	<u>\$ 33,206</u>	<u>\$ 130,519</u>	<u>\$ 44,395</u>	<u>\$ 7,712,684</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, 2015 and 2014, the balances of accumulated impairment both were \$902,691 thousand.

19. OTHER ASSETS, NET

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

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

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

21. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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

22. PAYABLES

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

23. DEPOSITS AND REMITTANCES

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

24. BANK DEBENTURES

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

25. OTHER FINANCIAL LIABILITIES

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

26. PROVISIONS

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

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

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

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

Movements in net defined benefit liability were as follows:

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

(Continued)

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

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

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

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

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

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

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

28. OTHER LIABILITIES

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

29. EQUITY

a. Capital stock

Common stock

	December 31	
	2015	2014
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>2,605,152</u>	<u>2,450,930</u>
Amount of shares issued	<u>\$ 26,051,524</u>	<u>\$ 24,509,306</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Arising from issuance of common shares	\$ -	\$ 593
Treasury stock transactions	<u>32,413</u>	<u>32,413</u>
	<u>\$ 32,413</u>	<u>\$ 33,006</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. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate as special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Bank's use of exemptions under IFRS 1 "First-time Adoption of International Financial Reporting Standards." However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. This special reserve may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings should be made until any shortage of this special reserve is appropriated in subsequent years if the Bank has earnings and the original need to appropriate a special reserve is not eliminated.

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

e. Retained earnings and dividend policy

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

- 1) 30% as legal reserve;
- 2) Special reserve, as deemed proper;
- 3) Remainder plus prior year's unappropriated earnings: Dividends;

4) Final remainder:

- a) Employees' bonus of at least 10%; subsidiaries' employees are included if employees' bonus is in the form of stock and if the employees meet the conditions that the board members are authorized to set;
- c) Directors' bonus of 0.5%;

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

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

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

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

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

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

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

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

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

f. Special reserve

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

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

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

g. Other equity items

1) Exchange differences on translating foreign operations

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

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

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

30. NET INTEREST

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

31. COMMISSION AND FEE REVENUES, NET

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

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

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

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

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

34. REVERSAL OF IMPAIRMENT INCOME (LOSS) ON ASSETS

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

35. EMPLOYEE BENEFIT EXPENSES

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

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

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

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

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

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

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

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

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

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

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

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

36. DEPRECIATION AND AMORTIZATION

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

37. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2015	2014
Rental	\$ 590,985	\$ 602,907
Outsourcing service	278,591	291,642
Taxation and government fee	552,373	395,589
Advertisement	356,346	350,663
Postage/cable charge	223,727	229,186
Computer operating	156,306	153,583
Deposit insurance	123,393	115,548
Maintenance charge	96,864	101,214
Marketing	63,599	57,972
Donation	27,937	35,999
Printing and binding	42,601	42,585
Others	<u>397,526</u>	<u>344,846</u>
	<u>\$ 2,910,248</u>	<u>\$ 2,721,734</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	
	2015	2014
Current tax		
Current year	\$ 34,483	\$ 11,517
Prior year's adjustments	34,732	(840)
Additional tax of unappropriated earnings	<u>-</u>	<u>1,832</u>
	69,215	12,509
Deferred tax		
Current year	<u>567,298</u>	<u>569,250</u>
Income tax expense recognized in profit or loss	<u>\$ 636,513</u>	<u>\$ 581,759</u>

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

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

For the year ended December 31, 2014

	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	\$ 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>
<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>

d. Information about loss carryforwards

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

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

e. Information on the Bank's integrated income tax

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Imputation credits accounts	\$ <u>44,749</u>	\$ <u>90,974</u>

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

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

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

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

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

39. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>2015</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 3,757,415	\$ 3,120,902	2,601,697	\$ <u>1.44</u>	\$ <u>1.20</u>
Bonus to employees	<u>-</u>	<u>-</u>	<u>11,011</u>		
Diluted EPS	<u>\$ 3,757,415</u>	<u>\$ 3,120,902</u>	<u>2,612,708</u>	<u>\$ 1.44</u>	<u>\$ 1.19</u>
<u>2014</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 3,675,554	\$ 3,093,795	2,448,322	\$ <u>1.42</u>	\$ <u>1.19</u>
Bonus to employees	<u>-</u>	<u>-</u>	<u>9,325</u>		
Diluted EPS	<u>\$ 3,675,554</u>	<u>\$ 3,093,795</u>	<u>2,457,647</u>	<u>\$ 1.41</u>	<u>\$ 1.19</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 2015 and 2014 earnings were August 22, 2015 and August 2, 2014, respectively.

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

40. RELATED-PARTY TRANSACTIONS

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

a. Related parties and their relationships with the Bank

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

b. Significant transactions with related parties:

1) Loans

December 31, 2015

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

December 31, 2014

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

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

2) Deposits

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

3) Guarantees and letters of credit

December 31, 2015

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

December 31, 2014

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

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

4) Securities brokerage fees

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

5) Leases

a) The Bank as lessee

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

	Lease Deposit (Part of Other Financial Assets)		Rental Expense (Part of Other Operating Expense)	
	Amount	%	Amount	%
<u>2015</u>				
Yu-Pang	\$ 454,291	22.83	\$ 14,866	2.52
Hung-Kuo	218,768	10.99	101,275	17.14
Yong-Xuan	13,979	0.70	57,659	9.76
UECC	4,384	0.22	9,374	1.59
UFLIC	-	-	3,451	0.58
<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

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

b) The Bank as lessor

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

6) Available-for-sale financial assets

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

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

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

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

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

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

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2015	2014
Short-term employment benefits		
Salaries	\$ 32,225	\$ 29,431
Transportation expenses	<u>1,666</u>	<u>1,662</u>
	33,891	31,093
Post-employment benefits	<u>2,246</u>	<u>1,987</u>
	<u>\$ 36,137</u>	<u>\$ 33,080</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, 2015 and 2014, government bonds and bank debentures, which amounted to \$92,100 thousand and \$107,400 thousand (all amounts included in other financial assets), respectively, had been provided to the courts and the Bank of Taiwan as guarantee deposits on provisional seizures against the debtors' properties, as reserve for credit card receivables, as guarantee deposits on bills finance operations, and as trust reserve. In addition, as of December 31, 2015 and 2014, negotiable certificates of deposit, which amounted to \$7,400,000 thousand and \$8,100,000 thousand, respectively (all amounts included in other financial assets), had been provided to the Central Bank as collateral for day-term overdraft.

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

42. CONTINGENCIES AND COMMITMENTS

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

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

b. The Bank as lessee

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

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

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

	<u>December 31</u>	
	2015	2014
Within 1 year	\$ 396,481	\$ 379,580
Over 1 year up to 5 years	1,099,096	754,928
Over 5 years	<u>368,223</u>	<u>594,003</u>
	<u>\$ 1,863,800</u>	<u>\$ 1,728,511</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, 2015 and 2014, refundable deposits paid under operating leases were \$3,678 thousand and \$3,705 thousand, respectively (included in other liabilities - guarantee deposits received).

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

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

d. Computer equipment purchase contracts

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

43. TRUST BUSINESS UNDER THE TRUST LAW

**Balance Sheet of Trust Accounts
December 31, 2015**

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

**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>

**Income Statement of Trust Accounts
Year Ended December 31, 2015**

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

**Trust Property and Equipment Accounts
December 31, 2015**

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

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

**Trust Property and Equipment Accounts
December 31, 2014**

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

44. FINANCIAL INSTRUMENTS

a. Three-level fair value hierarchy

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

1) Level 1

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

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

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

2) Level 2

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

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

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

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

3) Level 3

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

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

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

(In Thousands of New Taiwan Dollars)

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

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	\$ 131,750	\$ 131,750	\$ -	\$ -
Debt instruments	154,538	-	154,538	-
Commercial paper	15,797,263	-	15,797,263	-
Financial assets designated as at FVTPL on initial recognition				
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

c. The financial instruments measured at fair value

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

1) Marking to market

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

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

2) Marking to model

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

The Bank uses the forward rates provided by Reuters to estimate the fair values of forward contracts, foreign exchange swap contracts, interest rate swap and cross-currency swap 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.

3) Transfer between Level 1 and Level 2

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

4) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2015

(In Thousands of New Taiwan Dollars)

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

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

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

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2015

(In Thousands of New Taiwan Dollars)

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

For the year ended December 31, 2014

(In Thousands of New Taiwan Dollars)

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

5) The quantification information of Level 3

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

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

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

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

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

1)

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

2) Fair value hierarchy

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

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

45. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

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

c. Credit risk

1) Credit risk definitions and sources

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

2) Strategy/objectives/policies and processes

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

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

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

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

3) Credit risk management framework

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

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

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

- d) Business units: Business units are responsible for establishing risk management regulations and risk control procedures and managing and monitoring the implementation of those controls in operation units.
 - e) Operation units: Under the risk management regulations and procedures set by business units, operation units perform daily risk management work and internal controls and prepares reports on these tasks.
- 4) Credit risk measurement, control and reporting

a) The range of credit risk reporting:

- i. Each business unit will regularly report the promotion of the business and the allocation of risk assets to the Assets/Liability Management Committee (ALMC).
- ii. The Bank's risk management department regularly monitors the credit limit control situations and reports to the ALMC the credit concentration and the status of each business' achieving BIS (Bank for International Settlements) goals. The department also presents the volume of business NPL situation, credit concentration and the execution of credit risk control to the Board.

b) Measurement system:

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

5) Mitigation of risks or hedging of credit risk

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

6) Maximum exposure to credit risk

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

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

December 31, 2015	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	\$ 223,078,844	\$ -	\$ -	\$ 223,078,844
<u>Off-balance sheet items</u>				
Irrevocable standby loan commitment	86,283	-	-	86,283
December 31, 2014	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	\$ 210,207,915	\$ -	\$ -	\$ 210,207,915
<u>Off-balance sheet items</u>				
Irrevocable standby loan commitment	12,679	-	218,625	231,304

7) Concentrations of credit risk exposure

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

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

a) By industry

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

b) By geographical area

The Bank's operations are mainly in Taiwan.

c) By collaterals

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

8) Credit quality and impairment assessment

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

a) Discounts, loans and receivables

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

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

b) Credit quality analysis of securities

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

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

Note: The definitions are as follows:

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

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

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

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

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

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

10) Analysis of impairment for financial assets

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

Discounts and loans

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

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

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

Receivables

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

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

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

11) Analysis of impairment for financial assets

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

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

- a) The Board of Directors, the top risk supervisor of the Bank, regularly reviews liquidity risk management policies. The Asset/Liability Management Committee, the top liquidity risk executive of the Bank, supervises the implementation of liquidity risk monitoring and control procedures and is responsible for taking any needed remedial measures.
 - b) In making internal transfer pricing, performance evaluation and new product development decisions, the operation units take liquidity cost and product effectiveness and risks into consideration and align their decisions with the Bank's overall liquidity risk management policies.
 - c) The fund procurement department implements funding strategies in accordance with the conservatism principle to diversify the funding sources and negotiate reasonable repayment periods to ensure continuing participation in the lending market, and maintains a close relationship with fund providers to strengthen financing channels and ensure the stability and reliability of fund sources.
 - d) To strengthen liquidity risk management, the Bank has regulations requiring the daily execution of risk management procedures and the monitoring of implementation to maintain sufficient liquidity.
 - e) The risk management units report the Bank's liquidity position to the Asset/Liability Management Committee monthly and report the Bank's liquidity risk management to the Board of Directors regularly.
- 3) The liquidity risk analysis of the cash inflow and outflow of assets and liabilities held for liquidity risk refers to the amounts of the obligations for the remaining maturity periods, i.e., from the reporting date to the contract maturity dates. The maturity analysis of financial assets and liabilities was as follows:

a) The maturity analysis of financial liabilities

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

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

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

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

December 31, 2014						
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	\$ 102,253,801	\$ 1,879,357	\$ 425,042	\$ 137,374	\$ -	\$ 104,695,574
Cash inflow	<u>102,172,972</u>	<u>1,897,756</u>	<u>430,151</u>	<u>134,831</u>	-	<u>104,635,710</u>
	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>

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

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

December 31, 2014						
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	<u>\$ 1,361</u>	<u>\$ 2,231</u>	<u>\$ 53,641</u>	<u>\$ 22,802</u>	<u>\$ -</u>	<u>\$ 80,035</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 2015 and 2014, assuming all market risk indicators, except interest rates, remained constant, an interest rate increase or decrease by 100bps would result in an increase or decrease in profit before tax by \$192,597 thousand and \$219,359 thousand, respectively.

b) Exchange rate risk

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

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

7) Foreign currency rate risk information

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

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

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

(Continued)

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

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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

f. Transfers of financial assets.

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

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

g. Offsetting financial assets and financial liabilities.

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

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

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

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

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

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

46. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

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

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

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

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity Tier 1 capital + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of Common equity Tier 1 capital to risk-weighted assets = Common equity Tier 1 capital ÷ Risk-weighted assets.
- 5) Ratio of Other Tier 1 capital to risk-weighted assets = Other Tier 1 capital ÷ Risk-weighted assets.
- 6) Leverage ratio = Common equity Tier 1 capital ÷ Exposure Measurement

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

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

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

Note 2: Formulas used were as follows:

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

- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.
- 5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.
- 6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.
- 7) Ratio of common stock to total assets = Common stock ÷ Total assets.
- 8) Leverage ratio = Tier 1 capital ÷ Adjusted average assets (average assets minus goodwill, unamortized loss from the sale of nonperforming loans, and items to be subtracted from Tier 1 capital which are covered by the “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks.”)

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

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

Union Bank of Taiwan

a. Credit risk

1) Asset quality

See Table 4.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

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

(In Thousands of New Taiwan Dollars, %)

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

b. Market risk

Interest Rate Sensitivity
December 31, 2015

(In Thousands of New Taiwan Dollars, %)

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

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

**Interest Rate Sensitivity
December 31, 2015**

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

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

December 31, 2014

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

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

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

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

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

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

c. Liquidity risk

1) Profitability

(%)

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

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

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

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

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

2) Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities
December 31, 2015**

(In Thousands of New Taiwan Dollars)

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

December 31, 2014

(In Thousands of New Taiwan Dollars)

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

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

**Maturity Analysis of Assets and Liabilities
December 31, 2015**

(In Thousands of U.S. Dollars)

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

December 31, 2014

(In Thousands of U.S. Dollars)

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

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

48. ADDITIONAL DISCLOSURES

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

- a. Related information of significant transactions and investees and (b) proportionate share in investees:
- 1) Financing provided to other parties: The Bank - not applicable; investee - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Bank - not applicable; investee: None
 - 3) Marketable securities held: The Bank - not applicable; investee - Table 2 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least \$5 million: None
 - 8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: Table 3 (attached)
 - 9) Sale of nonperforming loans: None
 - 10) Asset securitization under the “Regulations for Financial Asset Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of financial reports: Table 4 (attached)
 - 12) Names, locations and other information of investees on which the Bank exercises significant influence: Table 5 (attached)
 - 13) Derivative transactions: Note 8
- b. Investment in Mainland China: None

49. INFORMATION SEGMENTS

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

TABLE 1

UNION BANK OF TAIWAN

LOANS PROVIDED TO OTHER PARTIES

FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars and Foreign Currency, Unless Stated Otherwise)

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

(Continued)

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

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

Note 1: Union Finance and Leasing International Corporation:

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

Note 2: New Asian Ventures Ltd.:

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

Note 3: Union Information Technology Corporation:

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

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

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

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

(Concluded)

UNION BANK OF TAIWAN

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

TABLE 4

UNION BANK OF TAIWAN

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

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

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

Note 2: Ratio of nonperforming loans: $\text{Nonperforming loans} \div \text{Outstanding loan balance}$.
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	December 31, 2015	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 77,862	\$ 325,792
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	56,829	857,944
Total	134,691	1,183,736

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

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

(Continued)

Period		December 31, 2014				
Items		Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (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
Unsecured		55	2,203,377	-		
Loan		223,564	260,199,235	0.09%	2,567,114	1,148.27%
		Nonperforming Receivable (Note 1)	Receivable	Ratio of Nonperforming Receivable	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: $\text{Nonperforming loans} \div \text{Outstanding loan balance}$.
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, 2014	
		Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)		\$ 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).

(Concluded)

TABLE 5

UNION BANK OF TAIWAN

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEEES

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

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

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

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