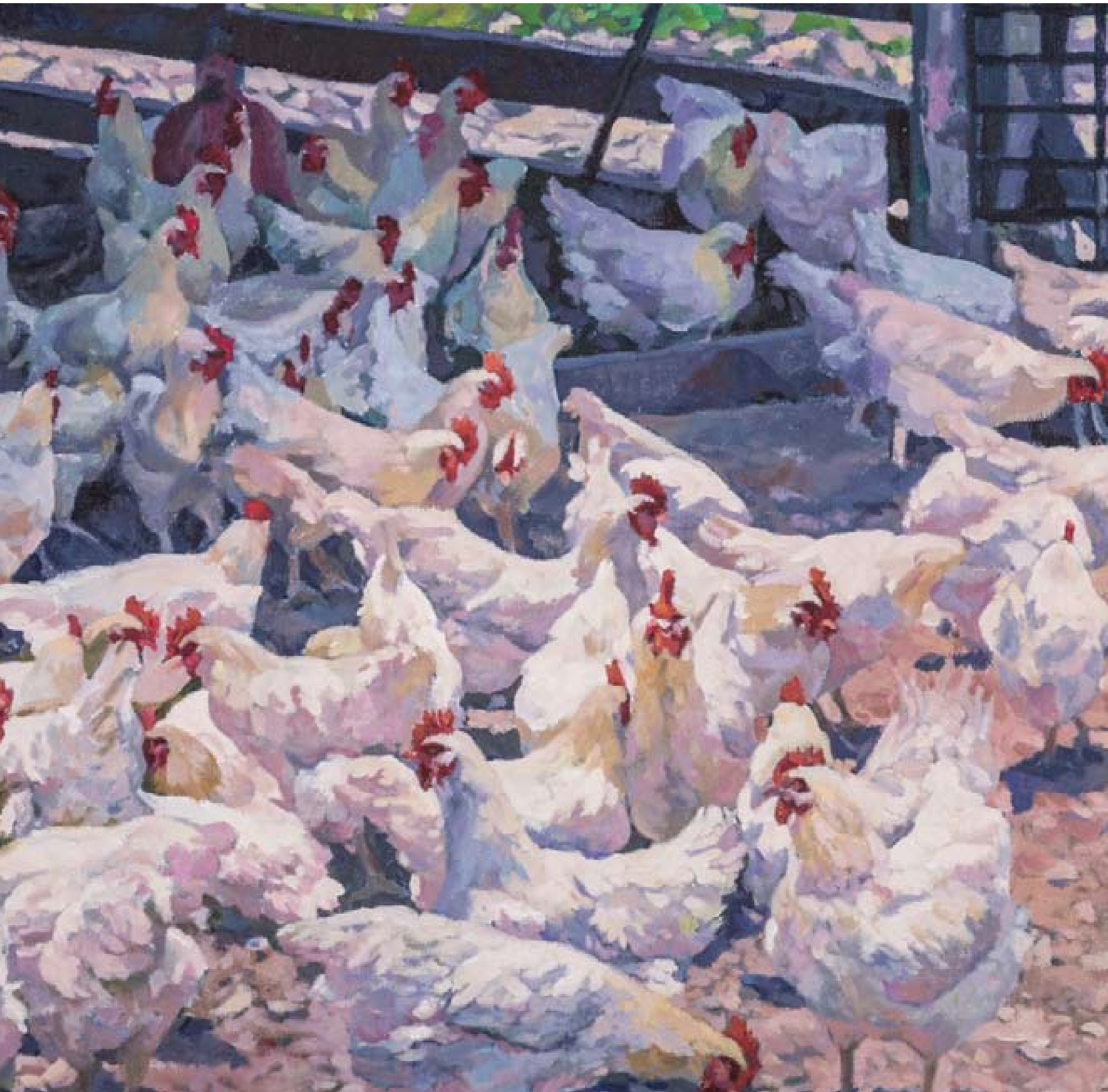
聯邦銀行
UNION BANK OF TAIWAN

Stock Code:2838

Date of Publication: May 2017
This Annual Report may be accessed on the Market Observation Post System (http://newmops.tse.com.tw) and on the Bank's Website (http://www.ubot.com.tw)。

The English version of annual report is a brief translation and is not part of official document of the shareholder's meeting. The Chinese version shall prevail if there is any difference between these two.

2016 Annual Report



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 157 ~160.

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. Carles Yang / 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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Letter to Shareholders

1. Results of Operation for 2016

(1) Domestic and International Financial Environment

Currently, the global economy still faces many risk variables, which are worthy of continuous attention, including the new US government's trends in economic and trade policies and the speed of interest rate hikes, China's and some emerging economies' growth strength, the UK's withdrawal from the EU, the European Region continuously holding general elections, geopolitical risks, international crude oil and commodity prices, global financial markets and stock market fluctuations, trade protectionism, and so on, and all affect the international economic outlook.

(2) Changes in Bank Organization

In response to the approval that the Bank obtained to concurrently operate its insurance agency business, the Department of Insurance Agents was established on August 1, 2016, with the responsibility for development and management of the insurance agency business plan.

In order to meet customers' diverse financial management needs and make the securities business achieve the most appropriate scale, the Bank established a total of three securities branches in 2016, and the number of securities branches of the Bank has reached 9 up to now.

(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 2016. With regard to profitability, the Bank reported an after-tax net income of NT$ 2.636 billion for the year ended December 31, 2016; earnings per share (EPS) was NT$1.01, return on assets (ROA) was 0.51% and return on equity (ROE) was 7.44%; The Bank was able to maintain sound asset quality, reporting an NPL ratio of 0.10% and bad debt coverage ratio of 1168.83%.

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 16, 2017, 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.

(4) Revenue/Expenditure and Profitability

Letter to Shareholders

For the year ended December 31, 2016, the Bank reported a net interest income of NT$ 6.399 billion, net non-interest income of NT$3.508 billion and net profit of NT$ 9.907 billion; after adding reversal of bad debts totaling NT$172 million and deducting operating expenses totaling NT$6.509 billion, the before-tax income amounted to NT$3.226 billion; the after-tax income amounted to NT$2.636 billion

2. **Credit Rating**

Rating Agency	Date of Rating	Rating Results		Outlook
Taiwan Ratings Corporation	Jan. 16, 2017	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: For target groups such as small and medium enterprises, public and teaching personnel deposit accounts, and happiness passbook accounts planning deposit activity project, through accepting more demand deposits and exploring new customers, the Bank will set up ATMs at all lines of the Taoyuan International Airport MRT to expand the service locations and deposit business of the Bank. It will launch a VISA debit card for the "E-Health Pay Mobile Payment APP", mobile ATM cards, cross-border electronic payments, and other businesses to provide depositors with a full range of payment tools. In addition, it will also undertake the stationed collection at the Motor Vehicles Office at the tender area to increase teaching personnel deposits and inject the handling fee revenue.
2. Corporate banking: A The Bank will actively expand business loans, and give priority to undertake self-liquidating loans and factory loans for production and manufacturing in Taiwan, while increasing the protection of claims through the Credit Guarantee Fund and requesting collateral with good quality. Additionally, in line with the government policy, it will strengthen small and medium-sized enterprise (SME) loans, coupled with government-related project loans at the proper time, while strengthening risk management to maintain good asset quality.
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: Enhance the adhesive capacity with the top class group, actively

promote bank cards, consolidate and maintain diversified promotion channels, such as co-branded cards, dedicated promotion, branch promotion, increasing internet applications, raising all-new card applications, and maintain brand share; through card members cycle management and close communication, the card using rate is raised to increase the transaction handling fees and interest revenue; the product strategy started with the view of the customer value, providing differentiation and thereby consolidating the card members recognition and loyalty, and seizing market opportunities; maintaining the competitive advantage of preferential card feedback features, and strengthening credit card additional functions, such as electronic ticket and international wallet mobile payments; expanding new loans for the small loans business, increasing the proportion of high-quality customer groups, control risks, and increasing operating income; gradually enhancing the proportion of the scale of medium-scale acquiring merchants, and actively growing the shop business, increasing revenue, and actively developing the installment business of the acquiring merchants to increase revenue.

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.
6. Insurance Agent Introduce protection insurance products (such as long-term care products, medical insurance products reimbursed for the actual expenses, micro insurance, and so on) and innovative insurance products (such as principal guaranteed investment products), and provide customers with comprehensive insurance requirement planning.

(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, 2016, the Bank has installed a total 904 ATMs to service our clients.

(3) The Bank's 2017 business goals

1. Deposits expect to reach NT$ 481.3 billion by the end of 2016.
2. Loans expect to reach NT$ 283.1 billon (excluding credit cards) by the end of 2016.
3. Foreign exchange turnover is forecasted to reach US 5.137 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

In 2017, the global economy faces slow economic recovery, the money demand for businesses at home and abroad is expected to increase. And also, the Financial Supervisory Committee in the nation actively put forward the industry loan incentive plan and medium-sized enterprise (SME) credit guarantee support expansion, which all drive the loan businesses to grow. In the respect of the income on the lending deposit spread, on the other hand, the loan business will be expanded, and the U.S. rate hike will also improve the situation of the low interest rate of the banking industry, it is expected that the overall competitiveness in 2017 will be gradually improved.

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 , 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 林鴻聯

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.

To integrate the overall resources, strengthen management, and exert operating synergy, the Bank merged with Union Insurance Broker Co., Ltd. as resolved by the Board of Directors on August 26, 2015, and obtained the approval of the Financial Supervisory Commission dated March 21, 2016. The merger was completed on August 1, 2016, in which Union Bank of Taiwan was the surviving bank, continuing to provide services for the insured of the original Union Insurance Broker.

2. Merger, Acquisition, Reinvestment in Affiliated Enterprises and Corporate Restructure During 2016 and Current Year Up to the Printing Date of the Annual Report :

During 2016 or during the current fiscal year up to the date of publication of the annual report, the Bank merged with Union Insurance Broker Co., Ltd., and reinvested a total of three affiliated enterprises, including “Union Capital (Singapore) Holding Pte.”, “Special Purpose Vehicle SSG12”, and “Special Purpose Vehicle SSG16”, with a 100% shareholding of each company.

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 2016 and Current Year Up to the Printing Date of the Annual Report :

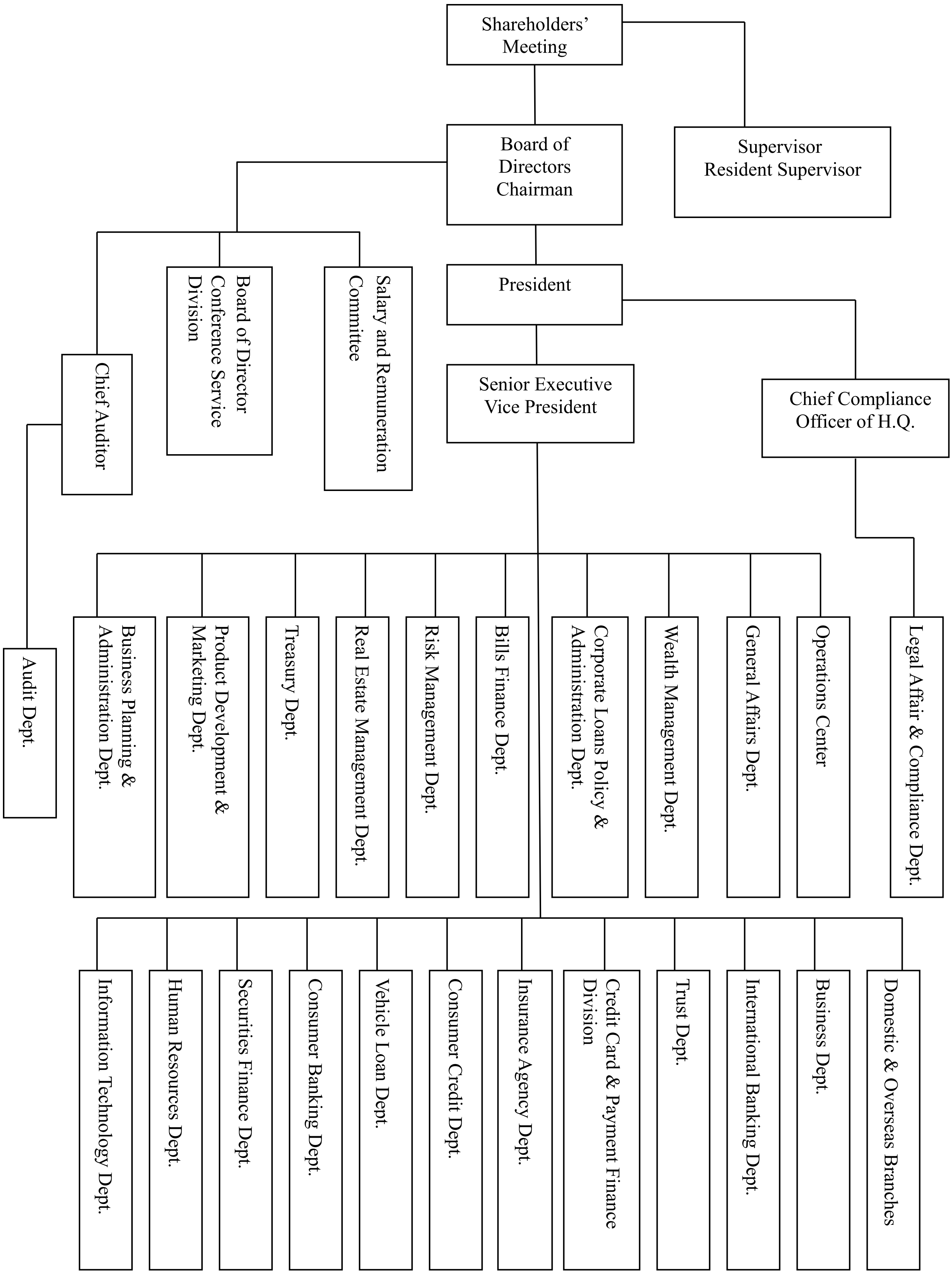
In 2016, the Bank obtained the approval for concurrently operating insurance agent business, and started operation from August 1

6. Other matters of material significance that could affect shareholders' equity and how such matters will affect the Bank : None

Corporate Governance

1. Organization Structure

(1) Organization Chart



(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. Matters such as planning, supervision and compliance of anti-money laundering and countering the financing of terrorism.

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.

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.

Insurance Agency Department:
Responsible for the promotion and management of insurance agency banking businesses.

Business Department:
Responsible for operating matters such as deposits, loans, exchange, agency, wealth management, safe deposit boxes and other businesses.

2. Information on Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors

A. General Information

Recordation Date: March 31, 2017（Shares Holding Recordation Date: April 22, 2017）
Unit: Shares；%: Note1

Title	Name/Gender /Nationality T:Taiwan	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 /M/T	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 /M/T	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 /M/T	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 /M/T	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 /M/T	2015.06.26	3 Yrs	2015.06.26	28,802	-	30,530	-	-	-	-	-	National Taiwan University, Chairman of Union Bills Finance Corp..		None	None	None

Title	Name/Gender /Nationality T:Taiwan	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 /M/T	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 1st Media Co., Ltd.;	None	None	None
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin /M/T	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 /F/T	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 Realestate Management Corp.; Director of Tien-Sheng Investment Co., Ltd.	None	None	None
Director	Chi-Shun Investment Co., Ltd. Representative: Jin-Fu Liu /M/T	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/Gender /Nationality T:Taiwan	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

Title	Name/Gender /Nationality T:Taiwan	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 /M/T	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 Realestate 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 Realestate Management Corp.; Director of Union Dyeing and Finishing Co., Ltd.; Supervisor of Lung Shan Lin Enterprise Co., Ltd.; Manager and Director of Hong-Bung Construction Enterprise Co., Ltd.; Responsible Person of Ren-Shun Café. Supervisor of Song-Mai investment Director of Kang-Hong investment Co., Ltd	None	None	None

B. Major Institutional Shareholders

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

C. Major Shareholders of Institutional Shareholders

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

D. Professional Knowledge and Independence Information of Directors and Supervisors

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			V	V		V	V	V		V	V	V	V	-
Kao-Jing Wang			V	V	V	V	V	V	V	V	V	V	V	-
Zhen-Xong Jiang			V	V	V	V	V	V	V	V	V	V		-
Zen-Fa Lu		V	V	V	V	V	V	V	V	V	V	V	V	-
Guo-Zhang Li			V	V	V	V	V	V	V	V	V	V	V	-
Jin-Fu Liu			V	V	V	V	V	V		V	V	V		-
Yu-Quan Lee			V	V	V	V	V	V		V	V	V	V	-
Jeff Lin			V			V		V		V	V	V		-
Sue-Feng Tsao			V	V	V	V	V			V	V	V		-
Si-Yong Lin			V	V	V	V	V			V	V	V		-

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 "V" 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 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	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Chairman	Shiang-Chang Lee	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Independent Managing Director	Kao-Jing Wang	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Independent Managing Director	Kao-Jing Wang	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Managing Director	Zhen-Xong Jiang	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	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	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Independent Director	Zen-Fa Lu	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Independent Director	Zen-Fa Lu	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Independent Director	Guo-Zhang Li	2016.03.24	2016.03.24	Taiwan Academy of Banking and Finance.	Trust supervisory personnel (including those on the job) workshop (North District)	3	Yes
Independent Director	Guo-Zhang Li	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Independent Director	Guo-Zhang Li	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Director	Jin-Fu Liu	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Director	Jin-Fu Liu	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Director	Yu-Quan Lee	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	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	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Director	Jeff Lin	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Director	Jeff Lin	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Director	Sue-Feng Tsao	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Director	Sue-Feng Tsao	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	3	Yes
Director	Si-Yong Lin	2016.06.20	2016.06.20	Taiwan Academy of Banking and Finance.	Board of Directors Practices and Corporate Governance Workshop (Development trend of digital finance)	3	Yes
Director	Si-Yong Lin	2016.11.28	2016.11.28	Taiwan Academy of Banking and Finance	Board of Directors Practices and Corporate Governance Workshop (The pattern and prevention of money laundering)	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/Gender /Nationality T:Taiwan	Date Appointed	Shareholding		Shareholding of Spouse & Minor Children		Shareholding Under Others' Title		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
President	LIN, HONG-LIAN (Jeff Lin) /M/T	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) /M/T	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) /M/T	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)/M/T	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

Title	Name/Gender /Nationality T:Taiwan	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
Chief Auditor	KANG, KUO-PAO (Kuo-Pao Kang)/M/T	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)/M/T	2009.04.01	43,497	0	0	0	0	0	Soochow University VP & Branch Manager of Fucheng Branch	-	None	None	None
EVP & GM of Vehicle Loan Department	HSIEH CHENG-JUH (Cheng-Juh Hsieh)/M/T	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)/M/T	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)/M/T	2006.06.26	100,330	0	0	0	0	0	Panchiao Senior High School; VP & Branch Manager of Hsinchung Branch of UBOT	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T:Taiwan	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
SVP & GM of Business Planning & Admin. Dept.	YANG, CHU-CHANG (Yanger Yang)/M/T	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)/F/T	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
VP & GM of Trust Dept.	TSAI, HANN-TSAU (Hann-Tsau Tsai)/M/T	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)/F/T	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/F/T	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)/M/T	2010.08.16	87,809	0	0	0	0	0	Feng Jia University Manager of Union Bills Finance Corp.	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T:Taiwan	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 Treasury Dept.	CHENG, WEN-CHIH (Spencer Chen)/M/T	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 /F/T	2014.4.01	31,913	0	0	0	0	0	Master's degree, George Washington University Deputy GM of Corporate Loans Policy & Admin Dept.				
VP & GM of Real Estate Management Dept.	LI, JUN-NAN (Michael Lee)/M/T	2004.03.05	21,621	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)/M/T	2015.08.01	6,275	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)/M/T	2006.07.01	90,833	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)/M/T	1999.12.01	31,995	0	0	0	0	0	National Chung Hsing University; VP & Deputy GM of Human Resources Dept.	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & GM of General Affairs Dept.	CHANG, YU-CHANG (Russell YC Chang)/M/T	2003.10.01	137,041	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)/F/T	2005.09.06	23,598	0	2,149	0	0	0	National Cheng Chi University; AVP of Hsintien Branch	-	None	None	None
VP &GM of International Banking Department	TSENG, MENG -YUN (Connie Tseng)/F/T	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)/F/T	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 & GM of Credit Card & Payment Finance Division	HSIUNG, LING-JUNG/F/T	2016.06.15	0	0	0	0	0	0	Master's degree of New Jersey Institute of Technology; SVP of Citibank	Director of I Pass Corporation.	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & GM of Risk Management Department	CHANG, HUEI-WEN /F/T	2016.08.24	15,440	0	0	0	0	0	Tamkang University; AVP & Division Head of Risk Management Dept.				
Insurance Agency Department	CHANG, CHUN HSIEN /M/T	2016.08.01	502	0	0	0	0	0	National Chung-Shin University; President of Union Insurance Broker Co.,Ltd.				
VP & Branch Manager of Taipei Branch	YU, LIN-SHENG (Lin-Sheng Yu)/M/T	2008.05.05	7,103	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/M/T	2013.05.16	24,651	0	0	0	0	0	National Cheng Chi University; VP & Branch Manager of Taoyuan Branch	-	None	None	None
EVP & Branch Manager of Taoyuan Branch	Ching-Shou Liu /M/T	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

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Taichung Branch	Meng-Hsia Wu/M/T	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/M/T	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/M/T	2000.08.23	174,851	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/M/T	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/M/T	2010.12.01	13,173	0	0	0	0	0	National Chao Tung University VP & Branch Manager of Changchun Branch	-	None	None	None

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Kaohsiung Branch	Wen-Chian Chang/M/T	2016.10.03	10,000	0	0	0	0	0	Soochow University; Senior Manager of Esun Bank	-	None	None	None
VP & Branch Manager of Panchiao Branch	Jacky Liao/M/T	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/M/T	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/M/T	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/F/T	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/M/T	2016.3.21	19,169	0	0	0	0	0	Feng Chia University; VP & Branch Manager of Hueilong Branch	-	None	None	None

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Hsinchu Branch	Denfer Hung/M/T	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/M/T	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	Ya-Yun Yang/F/T	2017.03.27	6,103	0	0	0	0	0	National Kaohsiung University of Applied Sciences; AVP & Division Head of Kaohsiung Branch	-	None	None	None
VP & Branch Manager of Shuanho Branch	Chang-Chen Lin/M/T	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/M/T	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/M/T	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

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Kungkuan Branch	Fang-Ni Wang/F/T	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/M/T	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 /F/T	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 /M/T	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/M/T	1999.10.25	74	0	0	0	0	0	Feng Chia University; VP & Deputy Branch Manager of Kaohsiung Branch	Conducting business Shareholder of chinho Co.Ltd.	None	None	None
VP & Branch Manager of Taoying Branch	Jyh-Chiang, Huang /M/T	2013.05.16	72,402	0	16,422	0	0	0	National Chiao Tung University VP & Branch Manager of Dajhu Branch	-	None	None	None

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Lungtan Branch	Lawrence Chen /M/T	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 /M/T	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 /F/T	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 /F/T	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 /F/T	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 /M/T	2009.12.06	20,006	0	0	0	0	0	Master's Degree, Tamkang University; VP & Branch Manager of Hsinchu Branch	-	None	None	None

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Chungho Branch	Ming-Chung Guo /M/T	2016.04.01	0	0	0	0	0	0	Master's Degree, National Cheng Kung University VP & Branch Manager of JiSian Branch	-	None	None	None
VP & Branch Manager of Neihu Branch	CM Hwang /M/T	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 /M/T	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 /F/T	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 /F/T	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/F/T	2007.10.01	13,800	0	0	0	0	0	Soochow University; AVP & Division Head of Consumer Credit Dept.	-	None	None	None

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Shihtung Branch	Kuang-Han Liu /M/T	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 /M/T	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	Ming-Tsan Hung /M/T	2016.08.29	12,334	0	0	0	0	0	Chinese Culture University; VP of Neihu Branch.	-	None	None	None
VP & Branch Manager of Sungchiang Branch	Chien-Lung Chen/M/T	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/M/T	2011.11.01	14,947	0	0	0	0	0	Soochow University; Head of Jenai Loan Center, Consumer Banking Department	-	None	None	None
VP & Branch Manager of Yungchi Branch	Candy Lin /F/T	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

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Wenlin Branch	Ju-Ling Kuo /F/T	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 /M/T	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 /M/T	2013.04.01	20,249	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 /F/T	2016.03.21	16,565	0	513	0	0	0	Soochow University; AVP of Business Dept.	-	None	None	None
VP & Branch Manager of Beitou Mini Branch	Wen-Chi Chiang /M/T	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 /M/T	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

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Houpu Branch	Su-Yean Lo /F/T	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 /F/T	2016.03.21	25	0	0	0	0	0	Cheng Chi University; Vice President & Deputy Branch Manage of Chungho Branch	-	None	None	None
VP & Branch Manager of Fuguo Branch	Shis-Wen Lu /M/T	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	Chao-Chuen Chuang /M/T	2016.05.17	12,926	0	0	0	0	0	Master' s degree, Fo Guang University; VP& Branch Manager of Wugu Branch	-	None	None	None
VP & Branch Manager of Hsichih Branch	Yen-Jou Liu /M/T	2016.05.17	28,744	0	0	0	0	0	Shih Hsin Senior high School; V.P. & Deputy Branch Manager of Hueilong Branch	-	None	None	None

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manger of North Taoyuan Branch	Kuo-Kuang Chou/M/T	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 Tsa /M/Ti	2015.01.05	62,820	1,000	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 /F/T	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 /M/T	2007.11.05	32,673	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 /M/T	2005.03.19	14,000	0	0	0	0	0	Hsinming Commercial School; Manager of Chung Shing Bank	-	None	None	None
VP & Branch Manager of Shingchung Branch	Chien-Tsung Wu/M/T	2016.08.29	32,105	0	0	0	0	0	The Overseas Chinese Institute of Technology; VP & Branch Manager of Beitun Branch	-	None	None	None

Title	Name/Gender /Nationality T:Taiwan	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 Beitun Branch	Chiung-Yu O /F/T	2016.08.29	23,051	0	0	0	0	0	Feng Chia University; VP & Branch Manager of Shingchung Branch	-	None	None	None
VP & Branch Manager of S. Yuanlin Branch	Wu-Yuan Chen/M/T	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 /M/T	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 /M/T	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 /M/T	2006.12.04	46,345	0	0	0	0	0	Tamkang University; VP & Deputy Branch Manager of Wenshin Branch	-	None	None	None
VP & Branch Manager of Fuchiang Branch	Alex Chiu /M/T	2015.08.01	74,200	0	0	0	0	0	Southern Taiwan University of Science Technology. Senior Manager, Esun Bank	-	None	None	None

Title	Name/Gender /Nationality T:Taiwan	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 Kaiyuan Branch	Roger Chang /M/T	2005.03.19	0	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/F/T	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 /F/T	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 /F/T	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 /F/T	2009.08.01	20,130	0	0	0	0	0	Tamkang University; Senior AVP of Kaohsiung Branch	-	None	None	None
VP & Branch Manager of Wuchia Branch	I-Wen Ho /M/T	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

Corporate Governance

Title	Name/Gender /Nationality T:Taiwan	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 Pingtung Branch	Chi-Fang Chu /F/T	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 /F/T	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 /M/T	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 /M/T	2013.12.01	11,403	0		0	0	0	Tamkang University; Head of Jenai Loan Center, Consumer Banking Department	-	None	None	None
VP & Branch Manager of Ankang Branch	Chan-Kwei Chen /M/T	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 /F/T	2013.05.16	28,510	0	0	0	0	0	Hsin Wu Business College, Senior AVP, Dajhu Branch	-	None	None	None

Title	Name/Gender /Nationality T:Taiwan	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 Gueishan Branch	Kuo-Yi Lu /M/T	2016.03.21	7,644	0	0	0	0	0	Tamsui Oxford University College; VP & Deputy Branch Manager of Taoyuan Corporate Banking Center	-	None	None	None
VP & Branch Manager of Linkou Branch	Shiu-Lan Hsieh /F/T	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	Hung-Min Chen /M/T	2016.05.17	34,427	0	244	0	0	0	Feng Chia University; VP & Branch Manager of Shuanho Branch h	-	None	None	None
VP & Branch Manager of Gaorong Branch	Jung-Hsiang Chung /M/T	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 /M/T	2010.1.14	16,230	0	0	0	0	0	National Taiwan University; VP& Branch Manager of Taoyuan Corporate Banking Center	-	None	None	None

Title	Name/Gender /Nationality T:Taiwan	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 Luzhu Branch	Jenny Cheng /F/T	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 /M/T	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 /M/T	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 /M/T	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				
VP & Branch Manager of Sanxia Branch	Chia-Yu Chuo /F/T	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 /M/T	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 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, 2016

Title	Name	Directors' Remuneration								Total of (A,B,C and D) as a % of Net profit after tax		Remuneration of Part-time Employees										Total of (A, B,C,D, E,F & G) as a % of Net profit after tax		Remuneration from Investee Companies Excluding Subsidiaries
		Remuneration (A)		Termination payment and pension costs (B)		Director's Remuneration (C)		Costs Incurred to Perform Duties(D)				Salaries, Bonus and Special Allowance (E)		Termination payment and pension costs (F)		Earnings Distribution for Employees' Bonus (G)				Total No. of Shares Issued for Employee Stock Option (H)				
		The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	The Bank		All Companies in the Consolidated Statement		The Bank	All Companies in the Consolidated Statement	The Bank	All Companies in the Consolidated Statement	
																Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend					
Chairman	Shiang-Chang Lee	8,841	8,841	0	0	2,964	2,964	2,415	2,415	0.53%	0.53%	0	0	0	0	0	0	0	0	0	0	0.53%	0.53%	296
Independent Managing Director	Kao-Jing Wang																							Nil
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang																							Nil
Independent Director	Zen-Fa Lu																							Nil
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu																							Nil
Director	Yu-Quan Lee																							Nil
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin																							Nil
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao																							Nil
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao																							Nil
Director	Pao-Shing Investment Co., Representative: Zhen-Lu Lin																							Nil
Director	Pai-Sheng Investment Co., Representative: Si-Yong Lin																							Nil
Indepent Director	Guo-Zhang Li																							Nil

Note 1 : The latest annual surplus distribution proposal of the amount of the directors 'remuneration paid by the board of directors before the shareholders' meetingution

Note 2: Remuneration to the driver amounted to NT$833,000.

Note 3 : 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)

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, Sue-Feng Tsao, 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, Sue-Feng Tsao, 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, Sue-Feng Tsao, 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, Sue-Feng Tsao, 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	11	11	11	11

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

Unit: NT Dollar Thousand, December 31, 2016

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		The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	
								Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend					
President	Jeff Lin	12,634	12,634	0	0	4,386	4,386	595	0	595	0	0.66	0.66	0	0	Nil
SEVP	Yin-Bor Chan															
SEVP	Herman Tu															
SEVP	Cheng-Yu Liu															
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$ 2,178,000.

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

C. Bonus to Managers :

Unit NT Dollar Thousand, Dec 31 2016

Title	Name	Stock Dividend	Cash dividend	Total	Total as % of Net Profit after Tax
Please refer Page 1* to Page 38.		0	7,064	7,064	0.26

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 2015 is NT$33,846,000 and its ratio to net profit after tax is 1.08%.

B. The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2016 is NT$31,835,000 and its ratio to net profit after tax is 1.20%.

C. Remuneration paid to directors and supervisors primarily include meeting attendance fees and salaries. All remuneration is paid on a fixed basis. The President did not receive any form of remuneration. Remuneration to SEVPs and Chief Auditor was made in accordance with their respective experience, degree of business involvement and contribution, and compare with the salary and remuneration standard of the Industry peers. The salary and remuneration schedule will be submitted to the Board of Directors for resolution after it is examined by Salary and Remuneration Committee.

The Board is authorized to determine remuneration which is granted to the management pursuant to the Bank's Articles of Incorporations. In addition to monthly basic salaries and allowances, executives may also be eligible for the annual and the performance bonuses and the employee bonuses depending on the Bank's annual results of operation and individual performance. As such, remuneration to SEVPs and Chief Auditor is closely related to the Bank's operating performance. The occurrence of major risk events that may impair the Bank's goodwill, or incidents of deficiency in internal management, or employee fraud would vastly affect the amount of bonuses to SEVPs and the Chief Auditor. The Risk Management Dept. should report directly to the Board of Directors regarding the status of the Bank's risk control and risk exposure on a semi-annual basis.

3. Execution of Corporate Governance

(1) Board of Directors

The Board of Directors held 6 meetings in 2016. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	p.s.
Chairman	Shiang-Chang Lee	6	0	100%	
Independent Managing Director	Kao-Jing Wang	6	0	100%	
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang	6	0	100%	
Independent Director	Zen-Fa Lu	6	0	100%	
Independent Director	Guo-Zhang Li	6	0	100%	
Director	Yu-Quan Lee	4	0	66.66%	
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	6	0	100%	
Director	Yu-Pang Investment Co., Representative: Sue-Feng Tsao	6	0	100%	
Director	Chi-Shun Investment Co., Representative: Jin-Fu Liu	5	0	83.33%	
Director	Pao-Shing Investment Co., Ltd. Zhen-Lu Lin	1	0	100%	2016.2.10 Resignation
Director	Pai-Sheng Investment Co., Ltd. Si-Yong Lin	4	0	66.66%	

Any other matters that require reporting:

1 Where any of the following circumstances have occurred during operations of the Board of Directors, the date, term, issue, all opinions of the independent director(s) and how the company handles it thereof:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act:

Date	Session (term)	Content of the resolution	All opinions of the independent director(s) and how the company handles it thereof
January 27, 2016	The 6th meeting of the 9th term	1. Apply for the approval of the issuance of non-cumulative subordinated bank debentures without maturity dates to the Financial Supervisory Commission (FSC), with the upper limit of NTD 3 billion (inclusive) 2. Submit the risk exposures of complex high-risk derivatives engaged in by the Bank's customers and the Bank's	Resolutions were adopted unanimously.

		relevant response mechanism on risk exposures. 3. Revise the Bank's "Organization Regulations" 4. Revise the Bank's "Articles of Association"	
March 16, 2016	The 7th meeting of the 9th term	(1) Renew the appointment of Deloitte Taiwan in 2016 to handle the relevant matters to the Bank's financial statements and income tax settlement audit and declaration (2) Revise the Bank's "Articles of Association" (3) Submit the Bank's self-inspections of its internal control systems and, the overall assessment inspection report, and the audit results of the audit business for the whole year of 2015. (4) The Bank's 2015 Business Report and Financial Reports preliminarily audited by a CPA (5) The Bank's 2015 surplus earning distribution	Resolutions were adopted unanimously.
April 20, 2016	The 8th meeting of the 9th term	1. Revise the Bank's Notices for Personal Information Protection 2. Formulate the Bank's policy for fair treatment of customers and the implementation strategy for fair treatment of customers	Resolutions were adopted unanimously.
May 11, 2016	The 9th meeting of the 9th term	1. Submit the Bank's consolidated financial report for the first quarter of the 2016 audited by a CPA	The resolution was adopted unanimously.
August 24, 2016	The 10th meeting of the 9th term	1. Revise the internal control system of the Bank's concurrent operation of securities firms and the internal control system of the concurrent operation of futures introducing broker business. 2. Revise the internal control system of the Bank's concurrent operation of bonds proprietary business of the securities firms 3. Revise the Bank's information security policy 4. Revise the Procedures for Derivatives Trading by the Bank 5. Revise the Bank's Operating Rules for Foreign Exchange Options 6. Revise the Bank's Operating Guidelines for Foreign Currency Margin Trading	The left Item 1.~2. And 4.~11.: Resolutions were adopted unanimously. The left Item 3. Independent Director Li Guo-Zhang: Suggest revisions to part of the text. The Bank's handling situation:

		7. Revise the Corporate Social Responsibility Best Practice Principles for the Bank 8. Revise the "Operating Guidelines for the Bank Engaging in Transactions Other Than Credit Extension with Interested Parties" and the "Division of Authority and Responsibility of for Internal Auditing of Accounting Affairs" 9. Revise the Bank's "Organization Regulations" 10. Revise the Bank's investment policy 11. Submit the Bank's individual financial reports and audited consolidated financial reports for the first half of 2016 audited by a CPA	Revision has been made according to the suggestion of Independent Director Li Guo-Zhang.
November 9, 2016	The 11th meeting of the 9th term	1. Revise the internal control system of the Bank's concurrent operation of securities firms 2. Revise the internal control system of the Bank's concurrent operation of insurance agent business 3. Formulate the business solicitation system and procedure guidelines for the Bank's concurrent operation of insurance agent business 4. Revise the Procedures for Derivatives Trading by the Bank 5. Revise the Bank's "Organization Regulations" 6. Submit the Bank's consolidated financial report for the third quarter of the 2016 audited by a CPA	Resolutions were adopted unanimously.

(2) In addition to previous matters, other board of directors who have objected to or retain opinions and have a recorded or written statement by an independent director :

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:

Meeting	Name of Director	Proposal	Reasons of Recusal	Participated in Voting
7th meeting/9th Board	Jin-Fu Liu	Loan	Stakeholder	No
10th meeting/9th Board	Jeff Lin	Loan	Stakeholder	No

10th meeting/9th Board	Jeff Lin ,Zhen-Xong Jiang, Jin-Fu Liu(absent), Sue-Feng Tsao	Property(Parking lot) Rental	Stakeholder	No
10th meeting/9th Board	Jeff Lin ,Zhen-Xong Jiang, Yao-Nan Lai(absent), Jin-Fu Liu, Sue-Feng Tsao	Property Rental	Stakeholder	No

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

The Bank, in accordance with the regulation in Article 14-2 of Securities and Exchange Act, sets two seats of independent directors and enacts “Guideline governing the responsibilities of independent directors in Union Bank of Taiwan Co., Ltd.” to adhere. It also formulates “Rules for the conduct of directors meetings in Union Bank of Taiwan Co., Ltd.” for following in the execution of meetings. The regulation clearly defines if a director attend a meeting where there might be a conflict of interests involves with the director, he/she should voluntarily excuse himself/herself to the motion and should not participate in the voting, he/she should also not represent other directors in exercise voting rights; all the directors in the Bank must comply with the regulation.

The Bank establishes a Salary and Remuneration Committee under the Board of Directors and sets “Regulation governing the organization of Salary and Remuneration Committee in Union Bank of Taiwan Co., Ltd.”. The major responsibilities of the Committee is to set and regularly review the pertaining policy, system, standard and structure, and conduct the performance evaluation and of directors, supervisors and management executives.

(2) Audit Committee

The Audit Committee held 4 meetings in 2016. 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	4	0	100%	
Independent Managing Director	Kao-Jing Wang	4	0	100%	

Other supplementary notes:

1. W here any of the following circumstances have occurred during operations of the audit committee, the date, term, issue, resolution results of the audit committee and how the company handles opinions of the audit committee thereof:

(1) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date	Session (term)	Content of the resolution	Resolution results of the audit committee and how the company handles opinions of the audit committee thereof
March 16, 2016	The 6th meeting of the 1st term	1. Renew the appointment of Deloitte Taiwan in 2016 to handle the relevant matters of the Bank’s financial statements and	1. Resolutions were adopted unanimously. 2. Submitted to the

		income tax settlement audit and declaration 2. Submit the Bank's self-inspections of its internal control systems and, the overall assessment inspection report, and the audit results of the audit business for the whole year of 2015. 3. The Bank's 2016 Audit Plan 4. The Bank's 2015 Business Report and Financial Reports preliminarily audited by a CPA 5. The Bank's 2015 surplus earning distribution	Board for resolution
August 24, 2016	The 7th meeting of the 1st term	1. Revise the internal control system of the Bank's concurrent operation of securities firms and the internal control system of the concurrent operation of futures introducing broker business. 2. Revise the internal control system of the Bank's concurrent operation of proprietary bond business within the securities firms 3. Revise the Procedures for Derivatives Trading by the Bank 4. Submit the Bank's individual financial reports and audited consolidated financial reports for the first half of 2016 audited by a CPA	1. Resolutions were adopted unanimously. 2. Submitted to the Board for resolution
November 09, 2016	The 8th meeting of the 1st term	1. Revise the internal control system of the Bank's concurrent operation of securities firms 2. Revise the internal control system of the Bank's concurrent operation of insurance agent business 3. Formulate the business solicitation system and procedure guidelines for the Bank's concurrent operation of insurance agent business 4. Revise the Procedures for Derivatives Trading by the Bank	1. Resolutions were adopted unanimously. 2. Submitted to the Board for resolution

(2)In addition to the preceding items, any resolution that has not been approved with the consent of the audit committee members but approved with the consent of two-thirds or more of all directors: None.

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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.

Date	Points of communication	Status of implementation
March 16, 2016	Audit the work report for the second half of 2015; report the status of implementation of the audit business on a regular basis	1. Allowed for future reference 2. Submit to the Board of Directors for future reference
March 16, 2016	Review internal control system deficiencies every half year; hold seminars by the auditors and independent directors	Follow up the status of the implementation of the opinions of the independent directors in the seminars, and submit the meeting minutes to the Board of Directors for report
August 24, 2016	Audit work report for the first half of 2016; report the status of implementation of the audit business on a regular basis	1. Allowed for future reference 2. Submit to the Board of Directors for future reference
August 24, 2016	Review internal control system deficiencies every half year; hold seminars by the auditors and independent directors	Follow up the status of the implementation of the opinions of the independent directors in the seminars, and submit the meeting minutes to the Board of Directors for report
November 09, 2016	2017 Audit Plan	1. Resolutions were adopted unanimously. 2. Submitted to the Board for resolution

(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.

Date	Points of communication	Status of implementation
March 16, 2016	The CPAs explained the results and adjustment items of the financial statements for the year of 2015, and engaged in two-way communication on the Bank's finance and business.	The Bank invited the CPAs with the Bank's internal audit supervisor and independent directors to explain and engage in two-way communication on the Bank's finance and business at the 6th meeting of the 1st term of the audit committee, and completed the examination on the financial statements.
August 24, 2016	The CPAs explained the results and adjustment items of the financial statements for the first half of 2016, and engaged in two-way communication on the Bank's finance and business.	The Bank invited the CPAs with the Bank's internal audit supervisor and independent directors to explain and engage in two-way communication on the Bank's finance and business at the 7th meeting of the 1st term of the audit committee, and completed the examination on the financial statements.

(3) Items to be disclosed in Accordance with "Principles Governing Corporate Governance Practices of Banks": Please Refer to the Bank's Official Website: http://www.ubot.com.tw

(4) Status of implementation of The Corporate Governance, stating Discrepancy, if any, with Best Corporate Governance Practices of Banks and giving Reasons:

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
1. The Bank's shareholder structure and shareholder equity				
(1) Way in which the Bank defines any internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and to implement the procedure.	V		(1) According to the Bank's Corporate Governance Best-Practice Principles, the Bank has delegated the spokesman and deputy spokesman and established an email box to take care of the suggestions, questions and disputes from shareholders. A dispute, if any, will be handed over to the Bank's legal counsel. The way to contact said spokesman is disclosed in the "investor relations" on the Bank's website and on the cover page of the Bank's annual report. 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.	No material discrepancy
(2) Ways in which the Bank regularly monitors the list of key shareholders who have management control of the Bank, or those who have ultimate control of key shareholders.	V		(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.	No material discrepancy
(3) Ways in which the Bank establishes proper risk control mechanisms and firewalls between the Bank and its affiliated enterprises.	V		(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.	No material discrepancy
2. Composition and responsibilities of Board of Directors: (1) Whether the Bank, in addition to establishing the remuneration	V		(1) 1 The Bank has set up a Remuneration	No material discrepancy

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
committee and audit committee pursuant to laws, is willing to establish any other functional committees voluntarily?			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. 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 been implemented for guidance. 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.	
(2) Regular evaluation of external auditors' independence.	V		(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 evlauatione aluation result to the Board of Directors for review. 1. The CPA never holds the position of director/supervisor or manager of the Bank, or thea position likely to render significant influence on the Bank. 2. The CPA does not have any direct or significantly indirect financial interest with the Bank.	

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			3. The CPA never acts as the Bank's independent auditor for seven years. 4. The Statement of Independence has been issued by the CPA. Upon evaluation, the independent auditor retained by the Bank is held meeting the independence requirements under the corporate governance.	
3. If the bank is a TWSE/TPEx listed company, has it set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)?	V		The Bank has formulated the "Corporate Governance Best Practice Principles" at the 18th meeting of the 8 term of the Board of Directors on March 18, 2015, and set up a part-time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.). 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. Establishment of communication channels with stakeholders	V		1. 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
5. Information Disclosure (2) Establishment of corporate website to disclose information regarding the Bank's financials, business and corporate governance status. (3) Other information disclosure channels (e.g. English website, designating particular person to handle	V V		1. The Bank has regularly disclosed financial and corporate governance status in the Bank's website (Web address: http://www.ubot.com.tw), and will disclose related information following the relevant regulations of the competent authority. 2. Information Disclosure Method (1) A designated department is to take charge of the collection and disclosure of information on the Bank's website.	No material discrepancy.

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Memo</th></tr>
<tr><td>information collection and disclosure, appointing spokesperson, webcasting investor conference)</td><td></td><td></td><td>(2) The Bank has set spokesperson and acting spokesperson position to be the sole outlet of the statement to the publics, and the Bank has also formulated “Procedures for Handling Significant Internal Information” for compliance.
(3) The annual report is prepared each year, disclosing the relevant information in accordance with the “Standards Governing Information to be published in the Annual Report of Banks”.</td><td></td></tr>
<tr><td>6. 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):</td><td>V</td><td></td><td>(1)Rights of employees and care for employees: The Bank has put in place the “Rules of Employment” to clearly define the rights and obligations of the Bank and employees. The Bank also convenes regular labor relations meeting to enhance the bank-employee relationships and ensure rights of employees. In addition, the Bank undertakes evaluation of the various remuneration and welfare policies to maximize benefits for the employees. The Bank has also put in place the “Criteria for Prevention, Reporting and Punishment of Sexual Harassment Incidences” to ensure equal employment opportunities and human dignity.
(2)Investor relations: The Bank has set up an investors relationship window for a smooth communication channel.
(3)Any transaction between the Bank and our stakeholders are carried out treated in accordance with the “Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related Parties” and relevant regulations governing credit transactions.
(4)Directors and Supervisors’ training records: the Bank’s directors and supervisors have taken related trainings of practical operation and company governance. The record may be accessed on the Market Observation Post System (http://newmops.tse.com.tw) and is included in the annual report.
(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</td><td>No material discrepancy.</td></tr>
</table>

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			information for assessing the various risks.). (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. (7)The status of the Bank taking out director liability insurance: The Bank is expected to apply the director liability insurance for directors. (8)Donation to Political Parties, Related Parties and Charitable Foundations: a. Sponsor a series of activities for Kaohsiung Rapid Transit Corporation, including "Original Film Shoot Contest", "Kaohsiung Rapid Transit ACG Original Role Creation Contest", "Kaohsiung Rapid Transit Summer Love in the Animation Season", "Two Days Tour in Harbor for Children in Rural Areas", and so on. The total cost of the activities sponsored for 2016 was NTD 500,000. b. Sponsor campaign funds for faculty and students at Tainan Municipal Yongfu Elementary School. The funds were mainly used for equipment and maintenance fees and other purposes. The total cost of the activities sponsored for 2016 was NTD 60,000. c. The sudden earthquake in Tainan on February 6 caused serious casualties. The Bank donated NTD 10 million to the Tainan City Government in the hope to give warm support for the affected people to rebuild their homes as early as possible. d. The Bank has put much effort into the promotion of arts and culture for	

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			years. Since 2011, the Bank periodically sponsored "Kaohsiung Philharmonic Cultural & Arts Foundation". . e. In April, the Bank organized the public child welfare painting competition of "Children's Painting of Mummies", of which each work received the Bank donated NTD 2 received for public welfare. It also donated to the nutritional lunch special account of the Taichung city government for school children in rural areas. f. To support the promotion of the concept of animal conservation, the Bank participated in corporate animal adoption for the first time, and donated to Taipei City Zoo for adoption of Taiwan conservation animal called "Leopard Cat Ji Bao." g. The Bank supports public interest groups for a long term, and has continued to sponsor the Children Are Us Foundation since 2014. In 2016, in addition to the donation of the "2016 Children Are Us Troupe and Orchestra Annual Performance Tickets", it also sponsored the funds of the "Children Are Us Work Training Program".	
7 Explain the status of the improvement for the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation for the latest year, and propose priority enhancement items and measures for those not have been improved.	V		The Bank did not get a score in the 2015 corporate governance evaluation results. Items that have been improved in 2016 were as follows: (I) The English version of the meeting notice has been uploaded 30 days before the shareholders' meeting. (II) The R&D expenses for two years, carbon dioxide or other greenhouse gas emissions, relevant regulations to environmental issues of the suppliers, and so on. Improvement items with priority: (I) Formulate the performance evaluation method or procedure for board of directors (II) Strengthen the company's English website information and financial information.	No material discrepancy.

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

(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		ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0	qualified
Independent Director	Li, Guo-Zhang			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0	qualified
Other	Lee, Tzung-Hang	ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	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.

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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 2016. The status of attendance was as follows:

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

(6) Fulfillment of Corporate Social Responsibilities:

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

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)	
high-rank management authorized by the board of directors who shall be responsible for reporting the status thereof to the board of directors? (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?	V		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. (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. Compensation policy: the Bank enacts the "Criteria for Handling Employee Merit/Disciplinary Incidents" separately.	
2. Fostering a Sustainable Environment: (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.	V		(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 will be considered as the first	No material discrepancy

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)	
(2) Establishment of proper environment management systems based on the characteristics of its industry. (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.	V V		priority where new equipment is to be purchased. (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. (3) The Bank has completed the greenhouse gases inventory for 2016, and disclosed it on the website of the Company. 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 .	
3. Preserving Public Welfare (1) Whether the Bank has established the related management policies and procedures in accordance with the relevant laws and international human right conventions? (2) Whether the Bank has established any employee complaining mechanism and channel, and taken care of the complaint adequately? (3) Whether the Bank has provided safe and healthful work environments and	V V V		(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. (2) The Bank has defined the "employee complaining system" and would take care of complaints adequately. (3) The Bank provides employees	No material discrepancy

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)	
training on safety and health for employees on a regular basis?			with safe and healthy work 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? (5)Whether the Bank has established some effective career development training plan for employees? (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 V 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. (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) 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	No material discrepancy

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		branches). All complaints will 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. (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.	
(8) Whether the Bank has assessed the supplier's record about environmental protection and society before trading with the supplier? (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?	V V		(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. (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	No material discrepancy

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 18th Meeting of 8th Board of Directors on March 18, 2015 and would implement the same upon resolution at a shareholders' meeting. The Bank upholds the belief of "giving back to society what we have benefited from it" and is dedicated to promoting the various charitable events on a long-term basis as a way of fulfilling our corporate social responsibilities and also comply with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". Therefore, there is no material discrepancy.				
6. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices (e.g., environmental protection, community involvement, social contribution, social work, social welfare, consumer rights, human rights, safety and hygiene and the adopted policies and measures to fulfill corporate social responsibilities and the status of performing such responsibilities).				
7. If any of the Bank's products or the CSR Report has been accredited to the standards of an external validation agency, provide details: None.				

Note 1: The status of operation must be specified in the Memo section, irrelevant with whether the answer is "Yes" or "No".
Note 2: Where the Bank has prepared the CSR report, the memo section may specify the way to access the CSR report and be replaced by index pages.

(7) Fulfillment of ethical Management and Adopted measures:

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

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	
			principle, and recuse themselves from any discussion or voting for any motions in which they have conflict of interest voluntarily, and are free from any unjust enrichment resulting in damage to the interest and right of the Bank's customers and shareholders.	
2. Implementation of Ethnical Management (1) Whether the Bank has evaluated the ethical record of trading counterparts and specifically set out the ethical management clause in business contract? (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? (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? (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?	V V V V V		(1) The Bank's business activities shall avoid any trading with persons with unethical record, and the Bank planned 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. (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. (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. (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,	No material discrepancy

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	
(5) Whether the Bank has organized internal/external educational and training programs for ethical corporate management periodically?			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. (5) According to the Bank's ethical corporate management best-practice principles, the Bank will organize the internal propagation activity to communicate the importance of ethics to directors, employees and appointees from time to time. The related staff will also attend the related workshops and educational training programs organized by 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".				

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	
6. None.				

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

(8) Operating procedure for internal important information:

In order to establish the Bank's fair important internal information processing and disclosure mechanism to prevent information from being disclosed inadequately and to ensure the accuracy and consistency of the information released by the Bank to the public and enhance the control over prevention of insider trading, the Bank defined the "Operating Procedure for Processing of Important Internal Information". Please refer to the corporate governance at MOPS (http://mops.twse.com.tw).

(9) Corporate governance principles and methods for searching the relevant regulations: Please refer to the corporate governance at MOPS (http://mops.twse.com.tw).

(10) Other material information sufficient to enhance understanding of the status of the Bank's corporate governance practices:

Please refer to the Bank's website (http://www.ubot.com.tw).

(11) Execution of the Internal Controls System

A. Where an independent auditor is appointed to perform audit on the internal controls system, the auditor's report shall be disclosed: None.

B. Statement of Internal Control:

Union Bank of Taiwan

Statement of Internal Controls System

March 23, 2017

To Financial Supervisory Commission:

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2016 to December 31, 2016, 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, the internal control and regulatory compliance of the units for the year have been effectively implemented, except for matters set forth in the attached table. 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

Chief Auditor: Kuo-Pao Kang

Compliance Officer of the Bank
Yan-Tsung Kao

Attachment: Internal Control Deficiencies and Improvement Plan

(Record Date: December31, 2016)

Matters that should be improved	Improvement measures	Targeted completion date
I. Invest in securities with non-statutory investment grade exceeding the limits required by Article 74-1 The Banking Act of The Republic of China	In order to be able to respond immediately to changes in the assessment and exchange rates, the Bank has improved and revised the control mechanism as follows: (I) For those with only a BBB rating, the current frequency of monitoring monthly is changed from every month to every ten days of each month. (II) Establish the early warning indicators for the exchange rate changes; that is, where the ratio of the Bank's investments in securities with a non-statutory investment grade reaches 9.5%, the exchange rate changes will be monitored every day. Through the above-mentioned control mechanism, the effective measures will be taken to comply with the statutory limits.	Has been completed by the improvement measures.
II. Conduct the derivatives	The Bank has improved and revised	Has been

Matters that should be improved	Improvement measures	Targeted completion date
business: (I) Have personnel without legal qualifications handle the trading and understanding of customers, be engaged the non-hedge TRF before the revisions were made to the internal operating regulations, the assessment standards for associated persons have not been approved by the Board of Directors, and not included in the non-financial indicators, and be engaged in the derivatives business and not report to the Financial Supervisory Committee (hereinafter referred to as the "FSC") for future reference. (II) Be engaged in complex high-risk derivatives trading not for hedge purpose with the general customer.	relevant regulations to comply with the requirements of the management regulations: (1) The qualification of the working personnel will be managed in accordance with Article 17 of the "Directions for Banks Conducting Financial Derivatives Business" or the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business", revise the "Procedures for Derivatives Trading by the Bank", which has been approved by the Board of Directors on August 24, 2016, clearly specify the qualified personnel at the Department of Finance with to conduct KYC, formulate the regulations for requested documents, strengthen employee education and training, include a non-financial indicators assessment mechanism in the personnel evaluation system; in addition, the business plan for the Bank engaged in derivatives business has been approved by the board meeting on July 27, 2016 and reported to the FSC on August.12, 2016 for future reference (2) Carry out the cross-checks on relevant financial statements and documents, so that the assessment mechanism is more perfect.	approved by the Board of Directors on August 24, 2016 and completed by the improvement measures.

Union Bank of Taiwan

Statement of Internal Controls System

March 23, 2017

To Financial Supervisory Commission:

The following statement gives the results of a self-auditing of the internal control system of the Company, covering the period from Jan. 1, 2016 to Dec 31, 2016

I. The Company understands that establishing, implementing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and management team. The Company has established such a system. The internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the operational soundness, reliable financial reporting, and compliance with applicable laws and regulations.

II. The internal control system has its own limitations, and no matter how well it is designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and circumstances of the company change, the effectiveness of its internal control system will change with it. However, the bond-operating department's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company will take action to correct it immediately.

III. The Company evaluates the design and effectiveness of its internal control system based on the Regulations Governing the Implementation of the Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies (hereinafter referred to as the "Regulations") of the FSC. The system should consist of at least five components: (1) control environment (2) risk assessment (3) control activities (4) information and communication (5) monitoring.

IV. The Company has adopted the five components as mentioned above to evaluate the design and effectiveness of the internal control system.

V. Based on the results of its evaluation as mentioned above, the Company believes that the design and execution of the internal control system during the aforementioned period was effective and was able to provide reasonable assurance regarding the achievement of the objectives of understanding operational soundness, financial reporting, and compliance with applicable laws and regulations.

VI. This statement is a major part of the Company's annual report ad prospectus and will be made public. Under Articles 20, 32, 171 and 174 of the Securities and Exchange Act, any fraudulent statements or intentional failure to make the necessary disclosure will incur legal responsibility.

VII. This statement was approved by the company's board of directors during its board meeting on

March 22, 2017. Among the 8 directors who attended the meeting, none of them were opposed and all others agreed to the contents of this statement.

Chairman: Shiang-Chang Lee

President: Jeff Lin

Chief Auditor: Kuo-Pao Kang

Compliance Officer of the Bank
Yan-Tsung Kao

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

Disclosed Matter	Major Deficiency	Status of Improvement
(1) Responsible person or employees of the Bank violated the law when conducting business and resulted in an indictment by a prosecutor.	None	None
(2) A fine was levied on the Bank by the Financial Supervisory Commission for violations of laws and regulations.	None	None
(3) Misconduct occurred and resulted in the Financial Supervisory Commission's imposing strict corrective measures.	None	None
(4) Punishment imposed by the Financial Supervisory Commission in accordance with Paragraph 1, Article 61-1 of the Banking Act of ROC	1. Invest in securities with a non-statutory investment grade exceeding the limits required by Article 74-1 The Banking Act of The Republic of China	1. In order to be able to respond immediately to changes in the assessment and exchange rates, the Bank has improved and revised the control mechanism as follows: (1) For those with only a BBB rating, the current frequency of monthly monitoring is changed from every month to every ten days of each month. (2) Establish the early warning indicators for the exchange rate changes; that is,

Disclosed Matter	Major Deficiency	Status of Improvement
	2. Conduct the derivatives business: (1)Have personnel without legal qualifications handle the trading and understanding of customers, be engaged in the non-hedge TRF before the revisions were made to the internal operating regulations, the assessment standards for associated persons which have not been approved by the Board of Directors, and not included in the non-financial indicators, and be engaged in derivatives business and not report to the Financial Supervisory Committee (hereinafter referred to as the "FSC") for future reference. (2) Be engaged in complex high-risk derivatives trading not for hedge purposes with general customers.	where the ratio of the Bank's investments in securities with a non-statutory investment grade reaches 9.5%, the exchange rate changes will be monitored every day. Through the above-mentioned control mechanism, the effective measures will be taken to comply with the statutory limits. 2. The Bank has improved and revised relevant regulations to comply with the requirements of the management regulations: (1) The qualification of the working personnel will be managed in accordance with Article 17 of the "Directions for Banks Conducting Financial Derivatives Business" or the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business", revise the "Procedures for Derivatives Trading by the Bank", which has been approved by the Board of Directors on August 24, 2016, clearly specify the qualified personnel at the Department of Finance with to conduct KYC, formulate the regulations for requested documents, strengthen employee education and training, and include a non-financial indicators assessment mechanism in the personnel evaluation system; in addition, the business plan for a Bank engaged in the derivatives business has been approved by the board meeting on July 27, 2016 and reported to the FSC on August.12, 2016 for future reference (2) Carry out cross-checks on the relevant financial statements and documents, so that the assessment mechanism is more perfect.
(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	None	None

Disclosed Matter	Major Deficiency	Status of Improvement
amount of loss for which shall be disclosed.		
(6) Other necessary disclosures prescribed by the Financial Supervisory Commission.	None	None

(13) Material Resolutions of Shareholders Meetings or Board of Directors Meetings During the Current Fiscal Year up to the Date of Printing of the Annual Report

1. Material resolutions of a shareholders' meeting during 2016 and the status of implementation thereof
   (1) Ratification of the surplus earnings distribution or loss make-up proposal for 2015: The resolution was adopted.
   Status of implementation: The resolution of the dividend distribution of NTD 0.4 per share in cash was adopted by the Bank's shareholders' meeting. The distribution record date was determined to be July 16, 2016. Dividends were paid on August 5, 2016.
   (2) Revise part of Articles of the Bank's "Articles of Association": The resolution was adopted.
   Approved by the Ministry of Economic Affairs for registration on June 21, 2016 and disclosed on the website of the Bank
   (3) Ratification of the annual business report of 2015, the financial statements: The resolution was adopted.
2. Material resolutions of a board of directors meeting during 2016 or during the current fiscal year up to the date of publication of the annual report.
   (1)The resolutions adopted by the 6th meeting of the 9th term of the Board of Directors on January 27, 2016 included "applying for approval of issuance of non-cumulative subordinated bank debentures without maturity dates to the Financial Supervisory Commission (FSC), with the upper limit of NTD 3 billion (inclusive), revisions to the Bank's "Articles of Association", revisions to the Bank's "Organization Regulations", "operational budget for the whole bank and each business type in 2016", and the "operational principles of each business".
   (2)The resolutions adopted by the 7th meeting of the 9th term of the Board of Directors on March 16, 2016 included "relevant matters to the regular meeting of shareholders during 2016", "formulation of relevant matters to the regular meeting accepting proposals submitted by shareholders for the current fiscal year", "relevant matters to renew the appointment of Deloitte Taiwan in 2016 to handle the relevant matters to the Bank's financial statements and income tax settlement audit and declaration", revisions to the Bank's "Articles of Association", the Bank's 2015 Business Report and Financial Reports preliminarily audited by a CPA", "compensation distribution of employees and directors for 2015", and the Bank's 2015 surplus earning distribution.
   (3)The resolutions adopted by the 8th meeting of the 9th term of the Board of Directors on April 20, 2016 included "Amendments and renaming 'Union Bank of Taiwan Co.,

Ltd. Trust Asset Assessment Committee Charter'", "revisions to the Bank's Notices for Personal Information Protection", and formulation of the Bank's policy for fair treatment of customers and the implementation strategy for fair treatment of customers".

(4)The resolutions of the "Bank's consolidated financial report for the first quarter of the 2016 audited by a CPA" was adopted by the 9th meeting of the 9th term of the Board of Directors on May 11, 2016

(5)The resolutions adopted by the 10th meeting of the 9th term of the Board of Directors on August 24, 2016 included revisions to the "Regulations Governing the Division of Authorities and Responsibilities on Credit Extensions for the Bank's Staff at All Levels", "Formulation of the Bank's 'Measures for the Compensation System for Wealth Management Loan Business'", revisions to the "internal control system of the Bank's concurrent operation of securities firms and the internal control system of the concurrent operation of futures introducing broker business", revisions to the "internal control system of the Bank's concurrent operation of bonds proprietary business of the securities firms", revisions to the "Bank's information security policy", revisions to the "Procedures for Derivatives Trading by Union Bank of Taiwan Co., Ltd.", revisions to "Operating Rules for Foreign Exchange Options Engaged by Union Bank of Taiwan Co., Ltd.", revisions to the "Bank's Operating Guidelines for Foreign Currency Margin Trading" , "Submission and Report of the Bank's 'Information Should be Declared in Compliance with the Principle of Supervision and Management' for 2016", revisions to the "Corporate Social Responsibility Best Practice Principles for the Bank", revisions to the "'Operating Guidelines for the Bank Engaging in Transactions Other Than Credit Extensions with Interested Parties' and the 'Division of Authority and Responsibility of for Internal Auditing of Accounting Affairs'", revisions to the Bank's "Organization Regulations", revisions to the "Bank's investment policy", and the "Bank's individual financial reports and audited consolidated financial reports for the first half of 2016 audited by a CPA".

(6)The resolutions adopted by the 11th meeting of the 9th term of the Board of Directors on November 9, 2016 included "one copy of the '"internal audit operation audit plan and implementation report form for 2017' of the 'Bank's concurrent operation of bonds proprietary business of the securities firms'", "one copy of the respective 'internal audit operation audit plan and implementation report form for 2017' of the 'Bank's concurrent operation of securities firms and the internal control system of the concurrent operation of securities firms and futures introducing broker business'", revisions to the "internal control system of the Bank's concurrent operation of securities firms", "revisions to the internal control system of the Bank's concurrent operation of insurance agent business", "formulate the business solicitation system and procedure guidelines for the Bank's concurrent operation of insurance agent business", "formulation of 'Management Directions Concerning Credit Extensions by the Bank to a Same Juristic Person, Group Enterprise, or Industry Type'", revisions to the Procedures for Derivatives Trading by Union Bank of Taiwan Co., Ltd.", revisions to the Bank's "Organization Regulations", "the Bank's 2017 Audit Plan", and "the Bank's consolidated financial report for the third quarter of the 2016 audited by a CPA".

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

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

4. Information on CPA professional fees

(1)

Name of CPA Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Vincent Cheng	Terence Huang	January ~ March 2016	Job rotation in CPA Firm
Deloitte & Touche	Vincent Cheng	Charles Yang	April ~ December 2016	

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.

NAME	Name	Audit	Non-audit fee	Period	Remar

OF CPA FIRM	of CPA	Fee	System Design	Business Register	H.R.	Others(ote1)	Total		k
Deloitte & Touch	Vincent Cheng	8,272	0	100	0	1,730	1,830	Jan~Mar 2016	Job rotation in CPA Firm
	Terence Huang								
	Vincent Cheng							Apr~ Dec 2016	
	Charles Yang								

Note1: Other professional fees for non-auditing services referred to internal control review, business tax/annual report/bad debts verification, issuance of opinion letters, and so on.

(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:

(1)Regarding the former certified public accountant

<table>
<tr><td>Date of replacement</td><td colspan="4">Approved by the Board of Directors on March 16, 2016</td></tr>
<tr><td>Reason for and explanation of replacement</td><td colspan="4">Internal adjustments of the accounting firm of the certified public accountant</td></tr>
<tr><td rowspan="3">Specify whether it was the company that terminated the engagement, or the certified public accountant that declined further engagement</td><td colspan="2">Parties
Case</td><td>Certified public accountant</td><td>The Company</td></tr>
<tr><td colspan="2">Voluntarily end the engagement</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Declan further engagement</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>If the former certified public accountant issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason.</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="5">Indicate whether there was any disagreement between the company and the former certified public accountant</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Financial report disclosure</td></tr>
<tr><td></td><td colspan="2">Auditing scope or procedure</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
</table>

	No ˇ
	Description
Other disclosures (Matters that should be disclosed in accordance with Item 1-4, Subparagraph 6, Article 10 of these guidelines)	Not applicable

(2)Regarding the successor certified public accountant

Name of the successor accounting firm	Deloitte Taiwan
Name of the certified public accountant	Yang, Cheng-Hsiu(Charles)
Date of engagement	Approved by the Board of Directors on March 16, 2016
If prior to the formal engagement of the successor certified public accountant, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, the company shall state and identify the subjects discussed during those consultations and the consultation results.	None
The company shall consult and obtain written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant, and shall make disclosure thereof.	None

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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	2016	April 22, 2017

		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	0	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	0	0	0	0
Director	Union Construction Enterprise Co., Ltd.	0	0	0	0
Managing Director	Chen-Chern Investment Co., Ltd.	0	0	0	0
Director	Yu-Pang Co., Ltd.	0	0	0	0
Director	Chi-Shun Investment Co., Ltd.	0	0	0	0
Director	Yu-Quan Lee	0	0	0	0
Supervisor	Pao-Shing Investment Co., Ltd.	0	0	0	0
Supervisor	Pai-Sheng Investment Co., Ltd.	0	0	0	0
President	Jeff Lin	0	0	0	0
SEVP	Yin-Bor Chan	0	0	0	0
SEVP	Herman Tu	0	0	0	0
SEVP	Cheng-Yu Liu	0	0	0	0
Chief Auditor	Kuo-Pao Kang	0	0	0	0
EVP	Hsia, Kuo-Hsien	0	0	0	0
EVP	Cheng-Juh Hsieh	0	0	0	0
Manager	Michael Lin	0	0	0	0
Manager	Huei-Wen Chang	0	0	0	0
Manager	Lin-Sheng Yu	(5000)	0	0	0
Manager	Kuang-Han Liu	0	0	0	0
Manager	Chan-Kwei Chen	0	0	0	0
Manager	Jeng-Ping Liu	0	0	(48,000)	0
Manager	Wendy Chi	0	0	0	0
Manager	Ching-Shou Liu	0	0	0	0
Manager	Chien-Hui Li	0	0	0	0
Manager	Jen-Chung Cheng	0	0	0	0
Manager	Patty Chen	0	0	0	0
Manager	Su-Yean Lo	0	0	0	0
Manager	Ru-Ji Cheng	0	0	0	0
Manager	Liang-Kuei Kuo	0	0	0	0
Manager	Hann-Tsau Tsai	0	0	0	0
Manager	Chang-Yung Chen	10,000	0	0	0
Manager	Wen-Chien Chien	0	0	0	0
Manager	Chia-Yu Chuo	0	0	0	0
Manager	Joy Tang	0	0	0	0
Manager	Luke Yang	0	0	0	0

Title	Name	2016		April 22, 2017	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	June Kao	0	0	0	0
Manager	Liu, Chueh-Ling	0	0	0	0
Manager	Kuo-Kuang Chou	0	0	0	0
Manager	Kuen-Yuan Tsai	(24,000)	0	0	0
Manager	Jacky Liao	0	0	0	0
Manager	Rong-Hui Huang	0	0	0	0
Manger	Anita Hung	0	0	0	0
Manager	Jane Lu	0	0	0	0
Manager	Wen-Chi Chiang	0	0	0	0
Manager	Ling-Jung Hsiung	0	0	0	0
Manager	Yu-Hsiu Hsu	0	0	0	0
Manager	Peter Chien	0	0	0	0
Manager	Shih-Shien Chene	0	0	0	0
Manager	Russell YC Chang	0	0	0	0
Manager	Chang-Chen Lin	0	0	0	0
Manager	Gary Tsai	5,000	0	0	0
Manager	Mei-Lan Lin	0	0	0	0
Manager	Yao-Tsung Kao	0	0	0	0
Manager	Chu-Shih Wei	0	0	0	0
Manager	Sophie Hsu	0	0	0	0
Manager	Michael Lee	0	0	0	0
Manager	Denfer Hung	0	0	0	0
Manager	Chien-Lung Chen	0	0	0	0
Manager	Tawei Shih	0	0	0	0
Manager	Shu-Feng Hsueh	0	0	0	0
Manager	Lawrence Chen	0	0	0	0
Manager	Yeong-Jin Hwang	0	0	0	0
Manager	Meng-Hsia Wu	0	0	0	0
Manager	Chien-Chung Su	0	0	0	0
Manager	Hui-Chin Yang	0	0	0	0
Manager	Ye-Yan Lin	0	0	0	0
Manager	Ching-Wen Chen	0	0	0	0
Manager	Chih-Chung Chang	(9,000)	0	(9,000)	0
Manager	Fang-Ni Wang	0	0	0	0
Manager	Lanny Liaw	0	0	0	0
Manager	Yen-Jou Liu	0	0	0	0
Manager	Shih-Fu Liu	0	0	0	0
Manager	Vickie Chou	0	0	0	0
Manager	Shen-Yung Peng	0	0	0	0
Manager	Ming-Chung Guo	0	0	0	0
Manager	Sheng-Hsiu Chou	0	0	0	0
Manager	Teh-Chin Tsai	0	0	0	0
Manager	Kuo-Yi Lu	0	0	0	0
Manager	Hsiu-Yun Su	0	0	0	0

Title	Name	2016		April 22, 2017	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Shis-Wen Lu	0	0	0	0
Manager	Kuan-Hong Lee	0	0	0	0
Manager	Hung-Min Chen	0	0	0	0
Manager	James Tsai	9,000	0	0	0
Manager	Alex Ciu	0	0	0	0
Manager	Hui-Fen Chao	0	0	0	0
Manager	Chia-Wei Lin	0	0	0	0
Manager	Shih-Yuan Liaw	0	0	0	0
Manager	Chiung-Yu O	0	0	0	0
Manager	Chien-Chung Wu	0	0	0	0
Manager	Wu-Yuan Chen	0	0	0	0
Manager	Shan-Chih Yen	0	0	0	0
Manager	Ta-Yu Chin	0	0	0	0
Manager	Chi-Fang Chu	0	0	0	0
Manager	Candy Lin	0	0	0	0
Manager	Roger Chang	(9,416)	0	0	0
Manager	Hsien-Ming Yen	0	0	0	0
Manager	Feng-Li Lin	0	0	0	0
Manager	Miao-Hui Yeh	0	0	0	0
Manager	CM Huang	0	0	0	0
Manager	I-Wen Ho	(20,000)	0	0	0
Manager	Jeffery Tsai	0	0	0	0
Manager	Ju-Ling Kuo	0	0	0	0
Manager	Wen-Hui Lin	0	0	0	0
Manager	Miranda Tsai	0	0	0	0
Manager	Kuen-Cheng Chou	0	0	0	0
Manager	Jyh-Chiang Huang	0	0	0	0
Manager	Jenny Cheng	0	0	0	0
Manager	Wen-Jui Chou	0	0	0	0
Manager	Ping-Hul Lin	0	0	0	0
Manager	Shiu-Lan Hsieh	0	0	0	0
Manager	Tereasa Lin	0	0	0	0
Manager	Amy Chung	0	0	0	0
Manager	Cooper Kao	0	0	0	0
Manager	Yao-Hsien Lee	0	0	0	0
Manager	Chao-Chuan Chuang	0	0	0	0
Manager	Jung-Hsiang Chung	0	0	0	0
Manager	Richard Yang	0	0	0	0
Manager	Chang-Fu Tsai	0	0	0	0
Manager	Connie Tseng	0	0	0	0
Manager	Lisa Lu	0	0	0	0
Manager	Fupin Liang	0	0	0	0
Manager	Mei-Ling Lee	0	0	0	0

Title	Name	2016		April 22, 2017	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Wen-Chih Cheng	0	0	0	0
Manager	Yanger Yang	0	0	0	0
Major Shareholder	Tsong-Li Investment Co., Ltd.	0	0	0	0
Major Shareholder	Pai-Sheng Investment Co., Ltd.	0	0	0	0
Major Shareholder	Tien-Sheng Investment Co., Ltd.	0	0	0	0
Major Shareholder	Chen-Chern Investment Co., Ltd.	0	0	0	0
Major Shareholder	Chien-Tuan Investment Co., Ltd.	0	0	0	0
Major Shareholder	Wei-Chih Investment Co., Ltd.	0	0	0	0
Major Shareholder	Chuo-Pao Investment Co., Ltd.	0	0	0	0
Major Shareholder	Kun-Che Investment Co., Ltd.	0	0	0	0
Major Shareholder	Chi-Shun Investment Co., Ltd.	0	0	0	0
Major Shareholder	Jan-Pang Investment Co., Ltd.	0	0	0	0
Major Shareholder	Pao-Shing Investment Co., Ltd.	0	0	0	0
Major Shareholder	Union Enterprise Construction Co., Ltd.	0	0	0	0
Major Shareholder	Hung-Hsiang Investment Co., Ltd.	0	0	0	0
Major Shareholder	Horng-Gow Investment Co.,Ltd.	0	0	0	0
Major Shareholder	Bai-Ing Investment Co., Ltd.	0	0	0	0
Major Shareholder	Chen-Sheng Investment Co., Ltd.	0	0	0	0
Major Shareholder	Lin, Chang Su-O	0	0	0	0
Major Shareholder	Lin Rong San Foundation of Culture and Social Welfare	0	0	0	0
Major Shareholder	Horng-Pern Construction Co., Ltd.	0	0	0	0
Major Shareholder	Horng-Pang Construction Co., Ltd.	0	0	0	0
Major Shareholder	Union Recreation Enterprise Co., Ltd.	0	0	0	0
Major Shareholder	Yu-Pang Co., Ltd.	0	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 , 2017 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	-	-	- -	- -	-	

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	104,496,932 188,201	4.01% 0%	-	-	-	-	-	-
Chi-Shun Investment Co., Ltd. Representative: Jyh-Dong Chen	97,059,211 320,002	3.72% 0.01%	-	-	-	-	-	-
Jen-Pang Construction Co., Ltd. Representative: Lin Chang Su-O	96,351,542 77,589,307	3.69% 2.97%	-	-	-	-	-	-

9. Ownership of Investee Companies

December 31, 2016 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	99.999993%	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.	105,000,000	100.00%	0	0.00%	105,000,000	100.00%
Union Securities Investment Trust Corp.	10,500,000	35.00%	2,595,656	8.65%	13,095,656	43.65%
Union Real-Estate Management Corp.	2,000,000	40.00%	1,450,000	29.00%	3,450,000	69.00%

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	%
Taiwan Asset Management Corp.	7,500,000	0.57%	0	0.00%	7,500,000	0.57%
Li Yu Venture Corporation	606,804	4.76%	0	0.00%	606,804	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	990,000	5.00%	0	0.00%	990,000	5.00%
Taiwan Depository & Clearing Corp.	877,504	0.25%	0	0.00%	877,504	0.25%
Taiwan Futures Exchange Co., Ltd.	6,234,757	2.04%	0	0.00%	6,234,757	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	16.25%	0	0.00%	13,000,000	16.25%
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

(2) Shareholder Composition

April 22, 2017

Shareholder Composition / Amount	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	0	0	81	29,201	94	29,376
No. of Shares Held	0	0	2,052,997,794	494,234,915	57,919,718	2,605,152,427
% of Shareholding	0.00%	0.00%	78.8%	18.97%	2.23%	100%

(3) Distribution of Shareholding (Preferred Stock Included)

Par value per share NT$10; April 10, 2017

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	12,490	3,113,398	0.12%
1,000 ~ 5,000	7,862	17,315,677	0.67%
5,001 ~ 10,000	2,790	19,288,362	0.74%
10,001 ~ 15,000	3,242	40,199,539	1.54%
15,001 ~ 20,000	503	8,866,786	0.34%
20,001 ~ 30,000	719	17,324,855	0.67%
30,001 ~ 50,000	531	20,342,095	0.78%
50,001 ~ 100,000	536	36,933,706	1.42%
100,001 ~ 200,000	336	45,650,993	1.75%
200,001 ~ 400,000	180	51,284,379	1.97%
400,001 ~ 600,000	58	28,466,963	1.09%
600,001 ~ 800,000	28	19,137,431	0.73%
800,001 ~ 1,000,000	18	15,909,737	0.61%
Over 1,000,001	83	2,281,318,506	87.57%
Total	29,376	2,605,152,427	100.00%

(4) Major Shareholders

April 22, 2017

Shares / Major Shareholders	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%

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%
Horng-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	77,589,307	2.97%
Lin Rong San Foundation of Culture and Social Welfare	65,977,797	2.53%
Horng-Pern Construction Co., Ltd.	59,230,866	2.27%
Horng-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			2015	2016
Market price per share	Highest		11.15	9.55
	Lowest		8.36	8.46
	Average		10.13	8.92
Net Worth per share	Before Distribution		13.39	13.80
	After Distribution		12.99	Note4
Earning per share	Weighted Average Shares		2,601,697	2,605,152
	Earning Per Share(NT$)	Before Adjust	1.20	1.01
		After Adjust	-	-
Dividend per share	Cash Dividends		0.40	0.45Note4
	Stock Dividends	Dividends from retained earning	-	-
		Dividends from capital reserve	-	-
	Accumulated Dividends		-	-
Return on investments	Price/Earning Ratio[Note1]		8.44	8.83
	Price/Dividend Ratio[Note2]		25.33	19.82
	Cash dividends yield rate[Note3]		3.95%	5.04%

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.

(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 unappropraited 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 22, 2017 to approve the earnings distribution proposal for 2016 as follows: cash dividends on common shares totalling $1,172,318,592 that is, a cash dividend of $0.45 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		Year2017 (Forecast)
Beginning Paid-In Capital		26,051,524,000
Stock and Cash Dividend in this Year	Cash Dividend per share	0.45 dollars /per share
	Capitalization of Retained Earnings Stock Dividend per share	share
	Capitalization of Capital Reserves Stock Dividend per share	None

Fund Raising Status

<table>
<tr><th colspan="3">Item / Year</th><th>Year2017 (Forecast)</th></tr>
<tr><td rowspan="7">Operation Result Changes</td><td colspan="2">Operating Profit</td><td rowspan="17">(Note)</td></tr>
<tr><td colspan="2">Ratio of Increase (Decrease) in Operating Profit Compared to the same period last year</td></tr>
<tr><td colspan="2">Net Profit after Tax</td></tr>
<tr><td colspan="2">Ratio of Increase (Decrease) in After Tax Net Profit Compared to the same period last year</td></tr>
<tr><td colspan="2">Earnings per Share (NT$)</td></tr>
<tr><td colspan="2">Ratio of Increase (Decrease) in Earnings per share Compared to the same period last year</td></tr>
<tr><td colspan="2">Annual Average Return on Investment (Reciprocal of Annual Average Price/Earnings Ratio)</td></tr>
<tr><td rowspan="6">Pro forma Earnings per Share and P/E Ratio</td><td rowspan="2">If Capitalization of Surplus is all changed to the Issuance of Cash Dividend</td><td>Pro forma earnings per share (NT$)</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">If Capitalization of Capital Reserve in not conducted.</td><td>Pro forma earnings per share (NT$)</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">If Capitalization of Capital Reserve is not conducted and Capitalization of Surplus is all changed to the Issuance of Cash Dividend</td><td>Pro forma earnings per share (NT$)</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
</table>

Note: The Bank has not published the financial forecasts for the 2017 fiscal year. According to Tai-Tsai-Zheng Tze (1) Letter No. 00371 issued by the Ministry of Finance on February 1, 2000, 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:

a. 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.

b. 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: 2016 employee bonus was resolved at NT$60,601,611 while 2016 directors' remuneration was resolved at NT$2,964,209 during the board of directors meeting held on March 22,

2017. 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	70,497,027	70,497,027	–	
Directors' and supervisors' remuneration	3,448,224	3,448,224	–	
Total	73,945,251	73,945,251	–	

Note: Above mention amount will be paid entirely in cash.

(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	1st Perpetual Non-Cummulated Subordinated Financial Debentures issued in 2016
Date & No. Approved by Central Competent Authority	Jin-Kuan-Yin-Kuo-Zi-No. 10000158270 May 12, 2011	Jin-Kuan-Yin-Kuo-Zi-No. 10000387590 Nov. 8, 2011	Jin-Kuan-Yin-Kuo-Zi-No. 10200321780 Nov.20, 2013	Jin-Kuan-Yin-Kuo-Zi-No. 10400055530 Apr.1 , 2015	Jin-Kuan-Yin-Kuo-Zi-No. 10500034480 Mar.29 , 2016
Issuing Date	Jun. 15, 2011	Mar. 1, 2012	Dec 19, 2013	Apr 22, 2015	May 29,2016
Face Value	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Issuance/ Trade Place	Domestic	Domestic	Domestic	Domestic	Domestic
Currency	NTD	NTD	NTD	NTD	NTD
Issuance Price	Issued at par	Issued at par	Issued at par	Issued at par	Issued at par
Issuance Amount	2 billion	1.5 billion	3 billion	2.2 billion	2.5 billion
Interest Rate	2.78%, fixed rate	2.32%, fixed rate	2.10%, fixed rate	2.08%, fixed rate	4.2%, fixed rate
Term	Maturity Date: Jun. 15, 2018	Maturity Date: Mar. 1, 2019	Maturity Date: Dec 19, 2020	Maturity Date: Apr 22, 2022	Perpetual
Order of Redemption	Subordinate	Subordinate	Subordinate	Subordinate	Subordinate
Guarantor	Nil	Nil	Nil	Nil	Nil
Trustee	Nil	Nil	Nil	Nil	Nil
Underwriter	Nil	Nil	Nil	Nil	Nil
Auditor	S.S. Lai	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)	Deloitte & Touche (Vincent Cheng)
Certifying Financial Institution	"Book-Entry"	"Book-Entry"	"Book-Entry"	"Book-Entry"	"Book-Entry"

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	1st Perpetual Non-Cummulated Subordinated Financial Debentures issued in 2016
Method of Redemption	Repaid in full upon maturity	Repaid in full upon maturity	Repaid in full upon maturity	Repaid in full upon maturity	Refer to the terms of redemption or advance payment for details.
Unredeemed Balance	2 billion	1.5 billion	3 billion	2.2 billion	2.5 billion
Paid-in Capital For the Previous Fiscal Year	19.48 billion	19.48billion	20.26billion	24.51billion	26.05billion
After-tax Net Worth for the Previous Fiscal Year	20.09 billion	21.97 billion	24.07 billion	32.38 billion	34.89 billion
Performance	Normal	Normal	Normal	Normal	Normal
Redemption or Early Redemption	Nil	Nil	Nil	Nil	Early redemption clause: After 5.1 years upon the expiration of the issuance of the bonds, if the ratio of capital to risk-based assets after calculation meets the minimum requirements set by the Competent Authority, the Bank may apply for redemption upon the consent of the Competent Authority The Bank shall make an announcement on the 30th day before the scheduled redemption date and redeem all the bonds at face value plus interest accrued.
Conversion & Exchange Conditions	Nil	Nil	Nil	Nil	Nil
Restrictions terms	Nil	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	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 (%)	9.95%	15.93%	27.00%	26.87%	32.10%
Whether it is accounted for as qualified core capital and type	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 1 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	Taiwan Ratings Corp. twA Jan. 7, 2016

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: None.

6. **Fund Utilization Plan and Execution Status**
1. Fund Utilization Plan
    A. Description of the plan: Please see pages 91-92 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: Pleasee see pages 115-135 for the Bank's financial information and changes in the capital adequacy ratio for years 2012 through 2016.

Operational Highlights

1. Business Description

(1) Main Businesses

A. Primary Business Activities of the Respective Business Units

a. To accept all types of deposits.

b. To extend corporate loans, discount bills and notes, issue domestic letters of credit and conduct accounts receivable factoring.

c. To handle exports, imports, foreign remittances, foreign currency loans and guarantees.

d. To extend mortgage, auto loans, personal loans and other consumer credits, and provide credit card services.

e. Wealth management, trust, custodian business, safe-deposit box rental and certification services for marketable securities.

f. To extend the insurance agency business and property insurance business.

g. To trade marketable securities and futures on behalf of customers.

h. To provide peripheral financial services by acting as collecting and paying agent for public facilities fees, taxes and remittances.

i. To conduct other relevant businesses authorized by the competent authorities.

B. Operational Highlight

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

Amount: NT$ Million

Type	December 31, 2016		December 31, 2015		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Current Deposit	189,807	44.00%	179,057	42.29%	10,750	6.00%
Time Deposit	241,543	56.00%	244,310	57.71%	(2,767)	(1.13%)
Total	431,350	100%	423,367	100%	7,983	1.89%

b. Loans

Amount: NT$ Million

Type	December 31, 2016		December 31, 2015		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Consumer Banking	155,028	54.01%	147,781	52.14%	7,247	4.9%
Corporate Banking	132,008	45.99%	135,669	47.86%	(3,661)	(2.7%)
Total	287,036	100%	283,450	100%	3,586	1.27%

c. Foreign Exchange

Amount: US$ Million

Type	December 31, 2016		December 31, 2015		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (decrease)	Growth Rate%
Exports	106	1.3%	89	1.4%	17	19.1%
Imports	258	3.3%	277	4.4%	(19)	(6.9%)
Foreign Remittances	7,528	95.4%	5,993	94.2%	1,535	25.6%
Total	7,892	100%	6,359	100%	1,533	24.1%

d. Trust & Wealth Management

Amount: NT$ Million

Type		December 31, 2016	December 31, 2015	Comparison	
		Amount	Amount	Increase (decrease)	Growth Rate%
Trust	Non-discretionary Money Trust Invested in Securities	38,184	35,953	2,231	6.21%
	Fund Custody Business	7,189	6,822	367	5.38%
	General Trusts	14,602	13,946	656	4.70%
Ancillary Service	Other Custody Business	4,194	2,935	1,259	42.90%
Total		64,169	59,656	4,513	7.57%

e. Credit Card Business

Unit: NT$ Million；Card

Item	December 31, 2016	December 31, 2015	Comparison	
	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate%
Card in New Issue	471,514	255,916	215,598	84.25%
Cards in Circulation	2,015,520	1,825,288	190,232	10.42%
Valid cards	1,083,892	812,939	270,953	33.33%
Credit Amount	76,984	65,416	11,568	17.68%
Cash Advance Amount	1,299	1,906	(607)	(31.85%)
Accounts Receivables	14,164	13,189	975	7.39%
Revolving Credit Balance	4,908	4,667	241	5.16%
Sales Amount	53,022	47,620	5,402	11.34%

f. Revenue and Percentage by Business

Item	% of Total Revenue 2016	% of Total Revenue 2015	Changes (%)
Corporate Banking	18.25%	16.36%	1.89%
Consumer Banking	31.69%	28.59%	3.10%
Trust &Wealth Management	11.08%	10.00%	1.08%
Investment Banking	20.49%	14.77%	5.72%
Other	18.49%	30.28%	(11.79%)
Total	100%	100%	-

(2) Business Plan for 2016

A. Deposit Business

a. Installation of ATM machines in all Taoyuan Airport MRT stations to increase the service locations and expand the savings business of the Bank.
b. Planning savings plans for target customer groups, such as SMEs, civil servants and teachers, and Savings Deposit of Happiness accounts.
c. Launching the E-Health Pay app for VISA debit card, T wallet card, and cross-boundary e-payment service to provide customers with comprehensive payment tools.
d, Undertaking resident collection services (all motor vehicle offices in Taiwan) to expand savings and other banking services and increase income from service fees.

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

Steady expansion of the mortgage business for qualified owners of self-use real property with repayment capacity, with focuses on better subprime objects as collateral.

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

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, guaranteed issue life insurance and in-kind benefits/services policies, and 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 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: Implement the customer demassification mechanism, maintain good asset quality, launch seasonal plans to cope with capital needs, and increase the proportion of quality customers to increase new loan volume and improve performance.

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

- Extend collection services in medium and large stores and chain stores, reinforce promotional activities (discount and bonus redemption) for own-bank cardholders, and promote installment plans to increase the amount of payments by own-bank cards and income from service fees.
- Promote co-development of acquiring and bank-related services with branches to increase the benefits of acquiring-related services and thereby raise the income of the entire bank.

F. Ensure effective management of funds available to the Bank. Effectively utilize funds in line with the various business development initiatives to increase the Bank’s returns. We also maintain an appropriate level of liquid funds to ensure that the Bank has a sound liquidity level. For TMU business, besides continuing to service existing clients and offering them with real-time financial market information and products, we also aims at developing new clientele to increase the Bank’s business turnovers in deposits, loans and foreign exchange business.

(3) Market Analysis

A. Areas of Business Operation

As of the end of March 2017, 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

In 2017, despite the trend of service expansion and the aggressive cultivation of the financial technology market of Taiwan’s banking industry, and the mitigation of pressure from exposure, mortgage risks, and lodgments in China, as spread income is difficult to increase, and many uncertainties are still in the macro environment increasing the difficulty of manipulation in the domestic and overseas investment markets, profitability and growth energy are both weak. Overall, fair growth is expected for Taiwan’s banking industry in 2017.

Institutional banking has long been the target business of the banking industry, and quality customers with lower risk have become the prime target of banks in Taiwan. In SME loans, local banks are maintaining steady market cultivation to increase spread income. The consumer loan business is rising slowly as the space for mortgages becomes reduced. In addition, spread compressions mark the importance of the wealth management business. Apart from circulating capital, wealth management can enhance customer stickiness and increase income from service fees at the same time.

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 2017 than it did in 2016, 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. As local banks continuously increase efforts to set up and operate overseas locations and cultivate new markets, and FSC and the Central Bank incessantly loosen restrictions on domestic and overseas loan business and encourage banks to lend to key innovative industries, all these will benefit the development of new lending plans to increase income..

III. The implementation of favorable policies, the acceleration of deregulation of restrictions, and along with the expanding cooperation and strategic alliance between banks and high-tech industries in 2017 will enhance the innovation capacity of FinTech products and encourage the cultivation of the FinTech market of

Taiwan's banking industry to bring new business opportunities to the banking industry and enable banks to cultivate new customer groups.

b、 Disadvantages

I. Talents are exceptionally important when overseas expansion, FinTech market cultivation, and business model changes are the focus of Taiwan's banking industry. Talent demand is even desperate in the standing lack of innovation capacity for financial products. While the pay of high-end banking talents in China has surpassed Taiwan's standard, and Chinese banks keep hunting outstanding talents from Taiwan with higher pay, outflow of high-end banking talents to China is apparent, and brain drain persists.

II. The low interest rate condition as a result of the quantitative easing of many countries and the interest rate cuts of the Central Bank in 2016, along with the falling interest rate for SME loans due to strong promotion and continuing competition in the last few years, even the Central Bank stopped interest rate cuts in September 2016 and the US rate rise is expected in 2017 to help stop the USD loan business of Taiwan's banking industry from shrinking, the overall domestic and overseas spread income of Taiwan's banking industry will be difficult to raise in 2017 under the influence of the low interest rate.

c、 Responsive Measures

I. In this digital finance wave, the attraction of talents with professional IT backgrounds is rising significantly in the banking industry because only they can benefit banks to develop internet banking platforms, mobile payment platforms, and related technologies and products. Therefore, the demand for FinTech talents and the acceleration of transformation and training for current staff will be prominent.

II. Banks reduce the impact of spread reduction by re-adjusting assets allocation, such as attracting current savings with a lower interest rate, re-orientating customers from time deposit products to wealth management products to raise income from service fees and lower capital costs. In addition, to cope with the negative impacts of low spread, banks adjust business structure; reinforce the SME loan business, foreign current loan business, and credit loan business with a higher interest rate; and aggressively develop FinTech and green finance (energy conservation, emissions reduction, and green energy industries).

(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 and increase handling charges as well..

c. Actively promote loan services and provide customers with more short/medium/long-term funding options. A total of NT$8,627,747,000 were disbursed in 7,945 new loans in 2016; outstanding loan balance totaled NT$12,353,930,000 in the end of 2016.

d. Wealth Management Business
During 2016, 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, 2016, the Bank had a total of 112,570 wealth management clients and total assets under management aggregated NT$239.6 billion, representing an increase of 12% from that of 2015.

e. 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.

f. 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 hanks. 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 Threatre, 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 2016, the Bank also organized a series of events to reward our customers including Gifts for Referrals, Anniversary Gifts, Visiting Gifts and Birthday Gifts. As at December 31, 2016, NT dollar deposits of the Fortune Passbook holders amounted to NT$6,812,670,000 representing a 5.44% growth rate comparing to NT$6,461,450,000 as at December 31, 2015.

g. First Bank to Issue I pass Debt Card
The Bank had 271,205 Visa debit cards(I pass Card and U debt card) outstanding in 2016; amounts spent using Visa debit cards totaled NT$1,349,510,000. These two figures represented a 8.63% and 9.41% growth, respectively, over 2015.
Card use promotion and demassified marketing are still the main strategy for 2017, including the “Double Rewards for New Card Use”, “Cash Reward (NT$200) for iPass Debit Card”, “1% Reward for UBOT Cards on Weekends”, “Free City Parking”, “Rebate for Gas Refill”, “PX Mart Bonus Points for iPass”,

"Movie/LINEPAY/KKBOX", and other card use promotion campaigns

."

h. Promotion of Automated Service and Internet Banking
   I. Apart from installing ATM machines and setting up self-service banks in all KMRT stations, Hi-Life convenience stores, OK convenience stores, Breeze Plaza, and Carrefour stores, we began installing ATM machines and setting up self-service banks in all Taoyuan Airport MRT stations in 2017 to provide customers with more convenient services.
   II. The Bank introduced a mobile bank "Union Lohas APP" service through the e-Bank service 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. "In 2016, we launched the "Lucky Roulette" activity, offered "mobile coupons" (discounts for shopping at over 5,000 stores of Family Mart, Hi-Life, and OK convenience store chains and Taiwan Pelican Express), and provided e-card and sticker downloads to make life more convenient by combining e-banking and everyday life.
   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 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 (remittance, money exchange ,saving and fund transaction) grew by 14% in 2016 comparing to 2015. The average number of logins and transactions for 2016 grew by 17% and 20% comparing to 2015.

i. New Business Departments Established in the Most Recent Two Years: In response to the regulatory amendment of competent authorities, we established the Insurance Agency Department on August 1, 2016 and introduced comprehensive insurance products to fulfill the insurance needs at different part of life-cycle for customers. By the end of 2016, we had undertaken plans up to NT$4.4 billion..

B. R&D Expenditure and achievement for the Last Two Years and a brief description of its Future Plan

Operational Highlights

a. R&D Expenditure and Results

Unit: NT$ Thousand

Item \ Year	2016	2015
R&D Expenditure	9,737	4,740

I. From April 2016, we implemented the token service in collaboration with Visa/MasterCard and introduced mobile payment plans including Apple Pay, Samsung Pay, and Android Pay. As the first mover of the service, we facilitate customers to bind and customize payment with our credit cards and thereby attract new young customers to use UBOT credit cards.

II. To provide customers with a better website browsing experience, we began website update using the responsive web design (RWD) in 2015. In addition, to getting ready for Bank 3.0, we started planning various e-application services. Apart from on-line credit card applications, on-line card payment installment plans, on-line customer confirmation, and KYC services, we added the on-line e-banking application service and pioneered the on-line application for small-amount undesignated transfer services to significantly enhance the convenience of e-banking.

III. In 2016, we continued to strengthen e-banking services and functions. Besides improving the user experience of various e-banking services, in view of the convenience of mobile service, we progressively added various on-line services, including on-line personal credit loans, on-line mortgages, on-line car finance, and on-line trust accounts, and introduced the card-free withdrawal through UBOT mobile banking to provide customers with more convenient banking services through comprehensive channels and thereby increase the benefits of the Bank's e-banking service.

b. Future R&D plan

I. Build online Loan Management System to streamline the credit granting process and enhance operation efficiency.

II. In view of the popularization of smartphones and mobile devices and the thriving of various mobile economic activities, this Bank will further develop the following items to get ahead of competitors in the mobile payment market:
◎Remote transaction (e-commerce transaction) plans for mobile devices
◎More convenient integrated payment solutions to meet customer needs more closely

III. Strengthening the Bank's current e-banking service platform provides customers with more real-time, safer, and more convenient e-banking services with a customer-demand-oriented design for user-friendly interfaces, phone-binding technology for transaction verification and message notification, and equal emphasis on transaction efficiency and information security.

IV. In view of the maturity of mobile devices and the network environment, this Bank will continue to focus on mobile applications in our e-banking service R&D to plan and develop various e-banking services and applications. In addition, we will strengthen our identity verification mechanism to provide wholly digitized virtual bank services to keep pace with the needs of the next generation, cultivate young customers with new types of e-banking services, and strengthen the foundation for future business development of the Bank.

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

A. Short-term Business Development Plan: Please refer to “Chapter (2) 2016 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 2015	End of 2016	Mar31, 2017
Number of Employees	Permanent	3,542	3,621	3,605
	Temporary	0	0	0
	Other	0	0	0
	Total	3,542	3,621	3,605
Average age		36.79	37.21	37.41
Average year of service		8.59	8.92	9.05
Education	Doctorate	0.03	0.03	0.03
	Master	6.86	6.96	7.02
	University (College)	85.43	85.67	85.55
	Senior High School	7.59	7.29	7.35
	Junior High School & Under	0.08	0.06	0.06
Type of professional certification held by employees		End of 2015	End of 2016	Mar31, 2017
Basic Proficiency Test for International Banking Personnel		293	330	338
Proficiency Test on Foreign Exchange Trading		12	9	9
Proficiency Test for Trust Operations Personnel		2,176	2,219	2,245
Subject Test - Laws and Regulations on Trust Businesses		27	31	33
Qualification exam for “General knowledge of Financial Markets and professional code of Ethics”		2,551	2,596	2,629
Financial Risk Manager (FRM)		3	3	3
Class B Accounts Clerk		9	9	9
Class C Accounts Clerk		106	104	106
Basic Proficiency Test for Bank Lending Personnel		394	392	394
Advanced Proficiency Test for Bank Lending Personnel		32	31	31
Proficiency Test for Bank Collateral Appraisal Personnel		10	10	10
Proficiency Test for Financial Planning Personnel		371	364	369
Structured Product Sales Personnel Qualification Test		225	245	302
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)		20	11	21
For taking “Investment trust & consulting regulations(including self-disciplinary rules)” only		671	695	702
Life insurance salesperson		2,562	2,611	2,664
Investment-oriented insurance salesperson		1,257	1,261	1,267
Fundamental Test of Investment-oriented insurance salesperson and financial market		220	228	232
Property Insurance Salesperson Registration Certificate		1,041	1,060	1,077
Qualification Test for Life Insurance Salesperson Selling Non-Investment Type of Insurance Product in Foreign Currency		970	981	986
Futures specialist		319	333	341

Year	End of 2015	End of 2016	Mar31, 2017
Bill finance specialist	77	78	78
Fin Tech Knowledge Test	0	14	23
Labor safety and health specialists (Class B certificate for labor safety and hygiene)	4	4	4
Class A Manager of Labor Safety & Health Affairs	50	49	49
Class B Manager of Labor Safety & Health Affairs	83	84	84
Class C Manager of Labor Safety & Health Affairs	29	39	40
Fire Fighting Administrator	137	136	136
First Aid Specialist	143	179	179
Bond Specialist	25	23	24
Basic Proficiency Test on Internal Controls	1,754	1,780	1,798
Securities specialist	309	334	344
Senior securities specialist	232	256	261
Securities investment trust and consulting professionals	183	190	195
Securities investment Analyst	4	5	6
Specialist of "Margin and Stock Loans by Securities Firms"	35	45	45
Assistant real estate Brokers	6	6	5

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	14,412	1,902	16,314
Total training expense (in NT$ thousand)	12,825	3,886	16,711

(3) Rules of Employee Behavior and Ethics

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

(4) Protection for Work Environment and Employee Safety

A. Access Security: The Bank has installed a premise access surveillance system to monitor people entering or leaving the office premise. The system is linked to the police stations at all times and is subject to regular trial checks. Security guards stationed on site to ensure personnel and premise security.

B. Office Premises and Equipment: The Bank performs regular or random maintenance check on the various equipment in accordance with the relevant regulations on public safety and fire tests of office premises.

C. Security Maintenance: The security maintenance regulations enforced by the competent authority and Bankers' Association prescribe that each retail office shall conduct anti-robbery rehearsals each year.

D. Safety and health: We have established the "Safety and Health Work Rules" and "Occupational Safety and Health Management Plan". In addition, we implement various environmental examinations and organize occupational safety and health education/training activities and first aid training courses in accordance with the Occupational Safety and Health Act and relevant regulations to ensure workplace safety for employees.

3. Corporate Responsibility and Ethical Conduct

(1) **Cultural Intelligence Education** :
We have long devoted ourselves to the promotion of cultural intelligence education, as witnessed by the "Let Me Draw My Mommy" children's art contests over the past 16 years. Apart from cultivating art literacy in children and the filial piety culture, we donate NT$2 for each entry in 2016 to finance nutritional lunches for students in remote villages, hoping to inspire the philanthropic value in children. In May, we adopted the protected species leopard cat "Jibao" in the Bank's name to express our concerns and support for animal conservation. The annual "Little Banker—Financial Management Camp" entered its eighth session. Aiming to combined with social contributions, apart from equipping children with the concept for financial and financial management knowledge and environment protection, we introduced courses on animal conservation in collaboration with Taipei Zoo for the first time. In order to promote the beauty of Taiwan's cultural relics, we launched the "Stories in Taiwan: A UBOT Tour to Historical Relics in Taiwan" in collaboration with SET Taiwan Channel to visit cultural relics across Taiwan and explore the history and culture of Taiwan past and present. In 2016, two episodes: "No. 1 Historical Relic in Taiwan—President's Office" and "No. 1 Port in Taiwan—Kaohsiung Port" were broadcast in 2016.

(2) Sponsoring Arts and Cultural Activities:

To promote and implement the development of local arts activities, we have been funding the "Kaohsiung Philharmonic Cultural and Arts Foundation" for five consecutive years since 2011 to organize theme concerts and the Kaohsiung Spring Arts Festival. In addition, we have established the "UBOT Arts and Cultural Gallery" in the KMRT Formosa Boulevard Station for citizens to appreciate artworks so as to achieve our aim to support Taiwanese artists and extend Taiwan arts development. In December, we sponsored the "2017 Taipei City New Year's Eve Celebration" again by organizing the "Friends for Life" installation art exhibition at the Shin Kong Mitsukoshi Xinyi Plaza to participate in building the Taipei Art City and the festivity of New Year's Eve.

(3) Social Engagement

1. Care for community development: We have been adopting "Minyao Park #2" in Songshan District, Taipei City, since 1997 and won the "Taipei City Outstanding Community Park" award in the sustainable operations category in 2015 for our outstanding maintenance of the park facilities and environment to provide local residents with a great venue for activities and

pleasure. Some branches have also installed tunnel type sphygmomanometers to provide free blood pressure monitoring for local senior citizens.

2. Care for school development: We have been adopting the flower beds in front Luzhou Elementary School since November 2011 to provide periodic maintenance. We have also sponsored activity funds for Yongfu Elementary School in Tainan City for the repair and maintenance of various school equipment.
3. Care for local citizens: In May we purchased 35,500 carnations from flower farms in Tianwei, Changhua County, on the eve of Mother’s Day and presented them to customers and local citizens. In December at the “Friends for Life” installation art exhibition, besides inviting Huikuang Guide Dog Foundation Taiwan to promote correct guide dog knowledge, we purchased their product, the handmade cookies of the Children Are Us Foundation, and roses from flower farms from Puli in Nantou at the charity sale and distributed them to exhibition visitors to spread fraternity.
4. Care for local industries: Every year when we order a large quantity of Lunar New Year gifts, such as ceramic Chinese zodiac piggy banks, calendars, red envelops, and Spring Festival couplets, local manufacturers (made in Taiwan, MIT) are our priority contractors.

(4) Charity

1. Donations for critical disasters: After the 2016 Southern Taiwan earthquake on February 6, we donated NT$10 million to the Tainan City Earthquake Relief Account to contribute to post-disaster reconstruction and support victims.
2. Donation for charities: In addition to the campaigns for UBOT cardholders to make donations for the Eden Social Welfare Foundation, Double Bliss Welfare and Charity Foundation, and Chinese Children's Home & Shelter Association, we have issued affinity cards with social welfare groups to donate to respective foundations and local governments a designated percentage of the purchasing amounts of cardholders for charitable uses. At the Mother's Day Charitable Fair in May, we invited charities including the Kaohsiung City Voluntary Service Resources Center & New Immigrant Women and Family Service Center, the Peace Foundation, the Garden of Hope Foundation, the Children Are Us Foundation, and and Down Syndrome Association Taiwan to join the charity sale and donated all income from the sale to respective charities.
3. Sponsorship: In October, we sponsored the tickets and meal boxes of the Children Are Us Theatre and Music Group and later on the “Children Are Us Work Training Program”. We also sponsored the “Kaohsiung Two-Day Tour for Rural Children” organized by KMRT for children living in the rural to broaden their horizon to achieve urban-rural exchange.

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

Unit: NT$ thousands; %

Category	2015	2016	Difference	
Head count	3,077	3,163	86	2.79%
Average welfare expense	680	706	26	3.77%

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 tape drive, 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. Development of software for system operation trail audits.

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. Constructing Defend APT(Advanced Persistent Threat) system over the internet.

H. Web Application Firewall Device

I. Computer system information security evaluation and testing

J. Construction of the mail audit and archival system

K. ATM white list construction

(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 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:
When the Taipei City Labor Inspection Office conducted a second inspection at the bank under the bank project inspection in August 2016, some employees worked over 12 hours in a day, and we were fined a sum of NT$50,000.

7. Major Contracts

Mar 31,2017

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, 2017 to Jan. 21, 2018	Bankers Blanket Insurance	None
Outsource Contract	Yesing Technologies	Dec 4, 2014	Install Cami customer service via email for the Bank	None
Outsource Contract	Union Information Technology Corp.	Jan. 1, 2011	Design & maintenance of Web and Mainframe	None
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	Mohist Web Technology Co., Ltd.	Jul. 27, 2010	e-Gift Voucher Management System	None
Outsource Contract	Union Information Technology Corp.	Aug. 01, 2016	Setup and Maintenance the Mis of insurance business	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	Taiwan Mobile	Dec. 17, 2014	Manufacturing of	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	Payment Corporation		credit cards for the mobile payment tools	
Outsource Contract	Yuen Foong Paper Co., Ltd.	Nov. 01, 2010	Printing and mailing Statement	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Oct. 01, 2010	Printing and mailing integrated Statement	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Jan. 01, 2010	Printing of withholding tax statements	None
Outsource Contract	Ma Chiu Consulting Management Co. Ltd.	Mar. 1, 2010	Household registration transport apply	None
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, 2010	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	SYSTEX Corporation	Jan. 1, 2016	Mail Printing and Posting of Credit Card	
Outsource Contract	IBM	Feb. 01, 2011	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

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
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 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	Hong Jeh	Dec.01, 2010	Lost car search	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	Management Consulting Co., Ltd.		service	
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 Contract	Pick International Asset Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	YuBan Credit Management Consulting Co., Ltd.	Jul. 06, 2007	Collection of receivables	None
Outsource Contract	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	Taiwan	Jun. 01, 2011	Collection of	None

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	FamilyMart Co., Ltd.		consumer loan payment	
Outsource Contract	Ok Mart Taiwan	Jun. 25, 2016	Collection of credit card payment	None
Outsource Contract	Hi-Life International Co., Ltd	Sep. 25, 2012	Collection of credit card payment	None
Outsource Contract	Taiwan FamilyMart Co., Ltd.	Jun. 01, 2008	Collection of credit card payment	None
Outsource Contract	Union Insurance Broker Oc.,Ltd.	Aug. 01, 2016	M&A By UB	None
Agreement on Property Allocation in Joint Construction Projects	Union Finance (Int'l) Co.,Ltd.	From Nov 09,2016	UBOT offers land located at No. 0068, Mingde Section, Tucheng District, New Taipei City, with an estimated cost at NT$439,630,000. Subsidiary Union Financing and Leasing International Corporation will provide constructio	None

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

Item \ Year	Financial Data for the Past Five Years (Note 1)				
	2012	2013	2014	2015	2016
Cash and equivalent, due from the Central Bank and other banks	85,036,973	79,101,215	76,850,501	71,659,720	65,385,579
Financial assets at fair value through profit or loss	8,297,349	10,115,316	18,614,020	9,058,815	9,538,090
Available-for-sale financial assets	10,331,378	8,711,283	13,974,008	23,319,718	39,978,425
Hedging derivative financial instruments	-	-	-	-	-
Securities purchased under resell agreements	21,780,368	20,237,019	26,371,487	22,072,191	27,855,242
Receivable-Net	14,435,559	13,917,483	14,781,594	15,217,776	17,888,230
Current Tax asset	100,505	160,672	332,275	332,660	186,231
Available-for-sale asset-Net	-	-	-	-	-
Discounts & Loans-Net	199,788,512	227,974,804	255,787,180	278,801,052	282,416,950
Held-to-maturity financial asset	811,872	440,233	534,200	4,207,436	7,192,115
Equity Investment(Equity Method)- Net	54,490	54,294	54,183	53,794	53,447
Restricted assets	-	-	-	-	-
Other financial asset – Net	49,714,759	57,559,287	56,835,380	61,133,831	57,403,743
Property and equipment- Net	7,729,000	7,644,442	7,732,876	7,723,438	8,156,305
Investment property-Net	2,792,110	2,777,603	3,691,781	3,703,410	5,415,376
Intangible asset –Net	2,087,971	2,049,795	2,050,999	2,144,240	2,167,730
Deferred tax asset-Net	3,475,913	2,992,503	2,407,704	1,886,538	1,447,039

Financial Highlights

Item \ Year		Financial Data for the Past Five Years（Note 1）				
		2012	2013	2014	2015	2016
Other asset		6,629,256	6,419,023	6,463,385	7,184,578	7,622,068
Total asset		413,066,015	440,154,972	486,481,573	508,489,197	532,706,570
Due to the central bank and other banks		6,422,684	5,315,113	6,748,799	3,781,976	8,389,312
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	39,253
Hedging derivative financial instruments		-	-	-	-	-
Securities sold under repurchase agreements		28,289,349	24,582,657	31,791,276	26,986,936	28,874,137
Payable		6,710,952	4,267,543	5,567,108	4,061,998	6,981,464
Current Income Tax liability		31,307	18,954	9,849	49,618	97,549
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposit and remittance		336,561,067	364,084,582	395,852,404	421,018,106	431,618,915
Bank debentures		5,200,000	7,400,000	7,400,000	10,204,397	12,335,884
Liability component of preferred stocks		-	-	-	-	-
Other financial liability		1,285,497	2,180,986	2,517,176	2,679,438	4,235,138
Provision		811,124	769,416	959,941	1,044,534	189,572
Deferred tax liability		352,229	574,580	707,731	881,731	834,410
Other liability		2,132,118	2,264,761	2,409,132	2,575,775	2,892,210
Total liability	Before dilution	387,823,744	411,474,598	454,174,500	478,338,780	496,488,114
	After dilution	388,004,786	411,483,560	454,811,742	474,380,841	Note2
BIS total Equity		25,005,371	28,423,332	32,038,122	34,890,164	35,949,316
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	26,051,524	Note2
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	8,673,248
	After dilution	2,534,720	3,099,932	4,019,109	6,045,889	Note2
Others equity		134,555	831,878	1,368,900	1,718,277	1,192,131
Treasury Stock		-	-	-	-	-
Non control Interest		236,900	257,042	268,951	260,253	269,140
Total equity	Before dilution	25,242,271	28,680,374	32,307,073	35,150,417	36,218,456
	After dilution	25,061,229	28,671,412	31,669,831	34,108,356	Note2

Note 1: All financial data have been audited by independent auditors, with the exception of the first quarterly financial data for 2016.
Note 2: The 2017 annual general shareholders’ meeting has yet to be held. As such, the amount after appropriation for 2016 was not provided.

（2）Condensed Balance Sheet-IFRS

In NT$ thousand

Item \ Year	Financial Data for the Past Five Year（Note 1）				
	2012	2013	2014	2015(Reedit)	2016
Cash and equivalent, due from the Central Bank and other banks	84,949,171	78,568,012	76,737,109	71,152,509	64,389,151
Financial assets at fair value through profit or loss	8,094,894	9,863,257	18,373,136	8,815,810	9,291,613
Available-for-sale financial assets	10,237,156	8,500,192	13,699,485	22,911,977	39,548,602
Hedging derivative financial instruments	-	-	-	-	-
Securities purchased under resell agreements	21,764,953	20,230,519	26,350,581	22,052,189	27,845,242
Receivable-Net	14,248,095	13,742,618	14,678,252	15,141,449	17,768,361
Current Tax asset	100,493	160,660	326,786	316,861	183,591
Available-for-sale asset-Net	-	-	-	-	-
Discounts & Loans-Net	201,833,438	230,142,592	257,632,121	280,781,558	284,040,723
Held-to-maturity financial asset	811,872	428,017	521,266	4,191,245	7,192,115
Equity Investment(Equity Method)-Net	2,543,168	2,567,706	2,616,318	2,758,367	2,910,889
Restricted assets	-	-	-	-	-
Other financial asset – Net	49,485,900	57,830,216	56,639,357	60,969,196	56,620,906
Property and equipment- Net	7,713,002	7,630,976	7,722,206	7,713,726	8,136,374
Investment property-Net	-	-	-	-	-

Financial Highlights

Item \ Year		Financial Data for the Past Five Year（Note 1）				
		2012	2013	2014	2015(Reedit)	2016
Intangible asset -Net		2,082,738	2,044,866	2,046,198	2,140,281	2,164,516
Deferred tax asset-Net		3,305,217	2,826,055	2,245,936	1,750,150	1,307,570
Other asset		2,154,775	1,925,098	1,962,732	2,193,401	2,230,774
Total asset		409,324,872	436,460,784	481,551,483	502,888,719	523,630,427
Due to the central bank and other banks		5,115,437	4,924,611	6,164,744	3,163,991	7,017,629
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	38,430
Hedging derivative financial instrument		-	-	-	-	-
Securities sold under repurchase agreements		28,289,349	24,582,657	31,791,276	26,986,936	28,874,137
Payable		6,581,310	4,168,148	5,456,071	4,037,153	6,889,250
Current Income Tax liability		-	-	-	32,955	64,784
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposit and remittance		337,399,136	365,120,161	396,410,432	421,746,026	432,062,824
Bank debentures		5,200,000	7,400,000	7,400,000	9,600,000	11,200,000
Liability component of preferred stocks		-	-	-	-	-
Other financial liability		306,392	201,858	18,928	20,408	19,566
Provision		795,785	752,628	942,785	1,026,155	176,554
Deferred tax liability		334,380	556,558	699,730	869,197	815,251
Other liability		270,295	314,825	418,311	461,463	522,686
Total liability	Before dilution	384,319,501	408,037,452	449,513,361	467,998,555	487,681,111
	After dilution	384,319,543	408,046,414	450,150,603	469,040,616	Note2
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	26,051,524	Note2
Capital surplus		32,413	34,288	33,006	32,413	32,413
Retained earning	Before dilution	4,574,007	5,391,915	6,126,910	7,087,950	8,673,248
	After dilution	2,534,720	3,099,932	4,019,109	6,045,889	Note2
Other equity		134,555	831,878	1,368,900	1,718,277	1,192,131
Treasury stock		-	-	-	-	-

Financial Highlights

Item \ Year		Financial Data for the Past Five Year（Note 1）				
		2012	2013	2014	2015(Reedit)	2016
Total equity	Before dilution	25,005,371	28,423,332	32,038,122	34,890,164	35,949,316
	After dilution	24,824,329	28,414,370	31,400,880	33,848,103	Note2

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Note 1: All financial data have been audited by independent auditors , with the exception of the first quarterly financial data for 2016.

Note 2: The 2017 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2016 was not provided.

（3）Condensed Consolidated Comprehensive Income Statement - IFRS

In NT$ thousand

YEAR / Item	Financial Data for the past five years（Note1）				
	2012	2013	2014	2015	2016
Interest Revenue	9,088,649	9,239,639	9,516,680	10,098,167	10,014,337
Less: interest expense	3,426,807	3,399,120	3,730,345	4,013,743	3,709,965
Net interest	5,661,842	5,840,519	5,786,335	6,084,424	6,304,372
Net revenue others than interest	3,628,689	4,650,027	5,148,606	5,656,298	5,707,288
Total net revenue	9,290,531	10,490,546	10,934,941	11,740,722	12,011,660
Provision reversal of allowance for doubtful accounts	(647,490)	(95,868)	(494,806)	(113,942)	171,542
Operating expense	6,830,721	7,178,056	7,691,951	8,014,400	8,529,331
Income before income tax	3,107,300	3,408,358	3,737,796	3,840,264	3,310,787
Income tax (expense) revenue	(460,977)	(520,554)	(614,311)	(701,340)	(649,166)
Income after income tax	2,646,323	2,887,804	3,123,485	3,138,924	2,661,621
Discontinue segment profit/ loss	-	-	-	-	-
Net income	2,646,323	2,887,804	3,123,485	3,138,924	2,661,621
Other comprehensive income after tax	215,833	686,856	470,169	298,867	(535,336)
Total comprehensive income	2,862,156	3,574,660	3,593,654	3,437,791	2,126,285
Net income attributable to owner’s of bank	2,634,718	2,867,891	3,093,795	3,120,902	2,635,375
Net income attributable to Non-controlling interests	11,605	19,913	29,690	18,022	25,246
Net profit attributable to owner’s of bank	2,850,536	3,554,518	3,564,000	3,419,774	2,101,213
Net profit attributable to Non-controlling interests	11,620	20,142	29,654	18,017	25,072
Earning per share	$1.28	$1.18	$1.19	$1.20	$1.01

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

(4) Condensed Comprehensive Income Statement - IFRS

In NT$ thousand

Item \ Year	Financial Data for The Past Five years (Note1)				
	2012	2013	2014	2015(Reedit)	2016
Interest Revenue	9,117,046	9,271,343	9,548,551	10,129,151	10,051,894
less: Interest Expense	3,382,254	3,350,022	3,681,523	3,958,924	3,653,016
Net Interest	5,734,792	5,921,321	5,867,028	6,170,227	6,398,878
Net revenues others than interest	1,706,763	2,557,835	2,982,487	3,635,663	3,508,315
Total net revenue	7,441,555	8,479,156	8,849,515	9,805,890	9,907,193
Provision reversal of allowance for doubtful accounts	(647,490)	(95,890)	(494,806)	(113,942)	171,542
Operating expenses	5,038,621	5,236,264	5,668,767	6,156,689	6,509,173
Income before income tax	3,050,424	3,338,782	3,675,554	3,763,143	3,226,478
Income tax revenue(expense)	(415,706)	(470,891)	(581,759)	(642,241)	(590,103)
Income after income tax	2,634,718	2,867,891	3,093,795	3,120,902	2,636,375
Discontinue segment profit	-	-	-	-	-
Net income	2,634,718	2,867,891	3,093,795	3,120,902	2,636,375
Other comprehensive income after tax	215,818	686,627	470,205	298,872	(535,162)
Total comprehensive income	2,850,536	3,554,518	3,564,000	3,419,774	2,101,213
Earning per share	$1.28	$1.18	$1.19	$1.20	$1.01

Note 1：Financial information for each reporting period has all been audited by the certified public accountant. And, the Bank merged its subsidiary, Union Insurance Broker Co., Ltd. in August 2016. The nature of this merger belongs to organizational restructuring within the group, with the consolidated accounts recorded at the carrying value of assets and liabilities, and it should be considered as a merger from the beginning. Therefore, the financial information compared to the previous period (2015) should be re-prepared.

(5) Name of CPAs and the Auditors' Opinion

Year	CPA Firm	Independent Auditors	Audit Opinion
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
2016	Deloitte & Touche	Charels Yang /Vincent Cheng	Unqualified opinion

2. Financial Analysis and Capital Adequacy Ratio

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

A. Consolidated Financial Report.

In NT$ thousand

Item(Note2) \ Year		Financial Data for the Past Five Years (Note1)				
		2012	2013	2014	2015	2016
Operating capability	Loans to deposits ratio (%)	60.05	63.32	65.27	66.89	66.18
	Non-performing loan ratio (%)	0.24	0.29	0.09	0.05	0.10
	Interest expense to average total deposits (%)	0.89	0.85	0.85	0.86	0.73
	Interest revenue to average total loans (%)	2.61	2.57	2.40	2.36	2.17
	Total asset turnover (times)	0.0228	0.0246	0.0236	0.0236	0.0231
	Average net income per employee	2,670	2,974	3,014	3,061	3,085
	Average earnings per employee	760	819	861	818	684
Profitability	Return on tier 1 capital (%)	14.80	14.54	15.04	14.00	10.91
	Return on assets (%)	0.65	0.68	0.67	0.63	0.51
	Return on equity (%)	10.94	10.71	10.24	9.31	7.46
	Net income ratio (%)	28.48	27.53	28.56	26.74	22.16
	EPS (NT$)	1.28	1.18	1.19	1.20	1.01
Financial Structure	Total liabilities to total assets ratio (%)	93.86	93.46	93.32	93.05	93.18
	Fixed assets to shareholders' equity ratio (%)	30.62	26.65	23.94	21.97	22.52
Growth rate	Asset growth ratio (%)	2.39	6.56	10.53	4.52	4.76
	Profitability growth ratio (%)	37.00	9.69	9.67	2.74	(13.79)
Cash Flow	Cash flow ratio (%)	-	-	11.50	-	3.45
	Cash flow adequacy ratio (%)	432.32	315.88	214.41	115.75	78.95
	Cash flow reinvestment ratio (%)	-	-	192.64	-	34.71
Liquid Reserve Ratio (%)		29.02	23.86	23.38	20.69	20.79
Balance of Secured Loans to Related Parties		1,395,602	1,840,562	1,781,537	2,357,291	2,235,592
Total Secured Loans to Related Parties as a % of Total Loans		0.65	0.76	0.65	0.80	0.75
Operation Scale	Market share of asset (%)	1.00	0.97	0.99	1.00	1.02
	Market share of net worth (%)	0.96	1.01	1.03	1.03	1.00
	Market share of deposits (%)	1.03	1.06	1.08	1.09	1.08
	Market share of loans (%)	0.93	1.03	1.10	1.16	1.14

Financial Highlights

Reason of ration change:The decrease in Cash Flow Adequacy Ratio is mainly due to the decrease in net cash flows from operating activities accumulated for the past five years.The increase in the Cash Flow Fulfill Rate is mainly due to the increase in net cash flow from operating activities for 2016.accounting standards of the Republic of China.

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

Note 2: 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 3: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve 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.

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

Note 8: The BASEL 3 regulations require companies to prepare consolidated financial information every six months.

Note 9: The Banking Bureau has not made the announcement.

Financial Highlights

(B) Financial Analysis – Financial Report

In NT$ thousand

Item(Note2) / Year		Financial Data for the Past Five Years (Note1)				
		2012	2013	2014	2015	2016
Operating capability	Loans to deposits ratio (%)	60.50	63.73	65.65	67.24	66.49
	Non-performing loan ratio (%)	0.23	0.29	0.09	0.05	0.10
	Interest expense to average total deposits (%)	0.89	0.85	0.85	0.86	0.73
	Interest revenue to average total loans (%)	2.60	2.56	2.40	2.36	2.17
	Total asset turnover (times)	0.0184	0.0201	0.0193	0.0199	0.0193
	Average net income per employee	2,320	2,610	2,693	2,745	2,729
	Average earnings per employee	822	883	942	874	726
Profitability	Return on tier 1 capital (%)	15.07	14.17	14.72	13.70	10.64
	Return on assets (%)	0.65	0.68	0.67	0.63	0.51
	Return on equity (%)	11.00	10.74	10.23	9.33	7.44
	Net income ratio (%)	35.41	33.82	34.96	31.83	26.61
	EPS (NT$)	1.28	1.18	1.19	1.20	1.01
Financial Structure	Total liabilities to total assets ratio (%)	93.86	93.47	93.31	93.02	93.11
	Fixed assets to shareholders' equity ratio (%)	30.85	26.85	24.10	22.11	22.63
Growth rate	Asset growth ratio (%)	2.40	6.63	10.33	4.43	4.12
	Profitability growth ratio (%)	37.32	9.45	10.09	2.38	(14.26)
Cash Flow	Cash flow ratio (%)	-	-	8.27	-	-
	Cash flow adequacy ratio (%)	1791.51	1493.53	892.03	364.19	92.41
	Cash flow reinvestment ratio (%)	-	-	1,159.37	-	-
Liquid Reserve Ratio (%)		29.02	23.86	23.38	20.69	20.79
Balance of Secured Loans to Related Parties		3,440,528	4,008,350	3,626,478	4,337,797	3,859,365
Total Secured Loans to Related Parties as a % of Total Loans		1.61	1.65	1.32	1.47	1.59
Operation Scale	Market share of asset (%)	0.99	0.97	0.98	0.99	1.00
	Market share of net worth (%)	0.95	1.00	1.02	1.02	1.00
	Market share of deposits (%)	1.03	1.06	1.08	1.09	1.08
	Market share of loans (%)	0.94	1.04	1.11	1.17	1.14

Financial Highlights

The reason of financial ratio fluctuation in recent year:
The decrease in Cash Flow Adequacy Ratio is mainly due to the decrease in net cash flows from operating activities accumulated for the past five years..
.

Note 1: All financial data for the most recent two 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.

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 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.

(2) Capital Adequacy

(Unconsolidated)

In NT$ thousand

Item		Year(Note1)	2012	2013	2014	2015	2016	
			Financial Data for the Past Five Years (Note2)					
Regulatory Capital	Common Stock Equity		BASEL III NOT APPLICABLE	23,562,741	26,380,471	28,573,380	30,419,225	As of the date of publication of the annual report, the information(2012~2015) was certified or audited by the CPA that should not be disclosed again.
	Other Tier1 Capital of Non- Common Stock Equity			0	0	0	1,664,565	
	Tier2 Capital			6,624,701	6,462,888	7,817,292	6,851,336	
	Regulatory Capital			30,187,442	32,843,359	36,390,672	38,935,126	
Risk Weighted Assets	Credit risk	Standardized Approach		190,929,908	214,767,222	232,370,458	248,197,970	
		Internal Ratings-Based Approach		-	-	-	-	
		Credit Valuation Adjustment (CVA)		18,320	8,416	14,776	8,583	
		Asset Securitization		1,219,545	1,262,627	1,227,133	919,153	
	Operation risk	Basic Indicator Approach		15,405,625	15,555,738	16,711,475	17,384,500	
		Standardized Approach/ Alternative Standardized Approach		-	-	-	-	
		Advanced Measurement Approach		-	-	-	-	
	Market Risk	Standardized Approach		9,234,588	17,206,850	25,658,013	22,483,575	
		Internal Model Approach		-	-	-	-	
	Total Risk-weighted Assets			216,807,986	248,800,853	275,981,855	288,993,781	
Capital Adequacy Ratio				13.92%	13.20%	13.19%	13.47%	
Ratio of tier 1 capital to risk-weighted assets				10.87%	10.60%	10.35%	11.10%	
Ratio of common stock equity to risk-weighted assets				10.87%	10.60%	10.35%	10.53%	
Leverage Ratio				-	-	5.28%	5.68%	

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 l to risk-weighted assets = Common Stock Equity /Total risk-weighted assets.
vi. Gearing ratio=Tier 1 Capital- Net/ Total Risk Exposure.

Note 4: As of the date of publication of the annual report, if the information is certified or audited by the accountant t that should be disclosed.

Note 5: The disclosure of leverage ratio since 2015.

Financial Highlights

(Consolidated)

In NT$ thousand

Item			Year(Note1) Financial Data for the Past Five Years (Note2) 2012	2013	2014	2015	2016
Regulatory Capital	Common Stock Equity		Not Applicable to Basel III	23,436,734	26,284,281	28,573,960	29,751,735
	Other Tier1 Capital of Non- Common Stock Equity			0	0	0	2,378,925
	Tier2 Capital			9,229,142	9,094,428	10,537,483	9,629,432
	Regulatory Capital			32,665,876	35,378,709	39,111,443	41,760,092
Risk Weighted Assets	Credit risk	Standardized Approach		199,593,002	222,034,638	240,005,077	258,435,318
		Internal Ratings-Based Approach		-	-	-	-
		Credit Valuation Adjustment (CVA)		18,320	8,416	14,776	8,683
		Asset Securitization		1,252,907	1,262,627	1,227,133	919,153
	Operation risk	Basic Indicator Approach		17,706,850	17,986,163	19,034,288	19,969,925
		Standardized Approach/ Alternative Standardized Approach		-	-	-	-
		Advanced Measurement Approach		-	-	-	-
	Market Risk	Standardized Approach		10,280,113	18,233,988	26,975,300	23,893,763
		Internal Model Approach		-	-	-	-
	Total Risk-weighted Assets			228,851,192	259,525,832	287,256,574	303,226,742
Capital Adequacy Ratio				14.27%	13.63%	13.62%	13.77%
Ratio of tier 1 capital to risk-weighted assets				10.24%	10.13%	9.95%	10.60%
Ratio of common stock equity to risk-weighted assets				10.24%	10.13%	9.95%	9.81%
Leverage Ratio				-	-	5.21%	5.57%

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 l to risk-weighted assets = Common Stock Equity /Total risk-weighted assets.
vi. Gearing ratio=Tier 1 Capital- Net/ Total Risk Exposure

Note 4: As of the date of publication of the annual report, if the information is certified or audited by the accountant t that should be disclosed.

Note 5: The disclosure of leverage ratio since 2015.

Financial Highlights

(Unconsolidated)

In NT$ thousand

Item		Year(Note1)	The capital adequacy of recent five years(Note2)
			2012
Regulatory Capital	Tier1 capital	Common Stock	20,060,202
		Irredeemable non-cumulative preferred stock	0
		Non-cumulative subordinate debentures with no maturity date	0
		Capital collected in advance	0
		Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811
		Legal Reserve	900,963
		Special Reserve	608,209
		Cumulative Profit/Loss	2,621,624
		Minority Shareholding	0
		Other Shareholders' Equity	-1,137,674
		Less: Goodwill	1,985,307
		Unamortized loss on sale of delinquent loans	0
		Deferred income tax assets based on the bank's future profitability	0
		Unrealised gain on available-for-sale financial assets	0
		Deduction items	861,657
		Total Tier 1 Capital	20,240,171
	Tier2 Capital	Irredeemable Cumulative Preferred Stock	204,194
		Cumulative subordinate debentures with no maturity date	0
		Fixed asset revaluation increment surplus	0
		45% of unrealized gain on financial assets available for sale	351,934
		Convertible bonds	0
		Operating reserve and allowance for bad debts	656,743
		Long-term subordinate debentures	4,040,000
		Redeemable preferred stocks	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
		Less: Deduction items	861,657
		Less: 50% of Cumulative Loss	0
		Total Tier 2 Capital	4,391,214
	Tier3 Capital	Short-term subordinate debentures	0

Financial Highlights

Item			Year(Note1): The capital adequacy of recent five years(Note2) 2012
		Redeemable preferred stock	0
		Total Tier 3 Capital	0
	Regulatory Capital		24,631,385
Risk Weighted Assets	Credit risk	Standardized Approach	172,264,571
		Internal Ratings-Based Approach	0
		Credit Valuation Adjustment (CVA)	0
		Asset Securitization	2,173,343
	Operation risk	Basic Indicator Approach	15,472,421
		Standardized Approach/ Alternative Standardized Approach	0
		Advanced Measurement Approach	0
	Market Risk	Standardized Approach	6,945,775
		Internal Model Approach	0
	Total Risk-weighted Assets		196,856,110
Capital Adequacy Ratio			12.51%
Ratio of tier 1 capital to risk-weighted assets			10.28%
Ratio of tier 2 capital to risk-weighted assets			2.23%
Ratio of tier 3 capital to risk-weighted assets			0
Ratio of common stocks to total assets			4.93%

Note1: All financial data of 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: None.

Financial Highlights

(Consolidated)

In NT$ thousand

Item		Year (Note1)	Financial Data for the recent five years (note2)
			2012
Regulatory Capital	Tier1 capital	Common Stock	20,060,202
		Irredeemable non-cumulative preferred stock	0
		Non-cumulative subordinate debentures with no maturity date	0
		Capital collected in advance	0
		Capital Surplus (excl. fixed asset revaluation increment surplus)	33,811
		Legal Reserve	900,963
		Special Reserve	608,209
		Cumulative Profit/Loss	2,621,624
		Minority Shareholding	236,568
		Other Shareholders' Equity	-1,137,674
		Less: Goodwill	1,985,307
		Unamortized loss on sale of delinquent loans	0
		Deduction items	340,871
		Total Tier 1 Capital	20,997,525
	Tier2 capital	Irredeemable Cumulative Preferred Stock	204,194
		Cumulative subordinate debentures with no maturity date	0
		Fixed asset revaluation increment surplus	0
		45% of unrealized gain on financial assets available for sale	351,934
		Convertible bonds	0
		Operating reserve and allowance for bad debts	660,432
		Long-term subordinate debentures	4,040,000
		Redeemable preferred stocks	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
		Less: Deduction items	340,871
		Less: 50% of Cumulative Loss	0
		Total Tier 2 Capital	4,915,689
	Tier3 capital	Short-term subordinate debentures	0
		Redeemable preferred stock	0
		Total Tier 3 Capital	0
	Regulatory Capital		25,913,214
Risk-weighted Assets	Credit risk	Standardized Approach	179,355,940
		Internal Ratings-Based Approach	0
		Asset Securitization	2,210,034
	Operational risk	Basic Indicator Approach	17,483,582
		Standardized Approach/ Alternative Standardized Approach	0
		Advanced Measurement Approach	0
	Market risk	Standardized Approach	7,249,375
		Internal Model Approach	0
	Total Risk-weighted Assets		206,298,931

Financial Highlights

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

Note1: All financial data of 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. 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: None.

3. Supervisors' Report for the 2016 Financial Statements

Union Bank of Taiwan Co., Ltd.

Audit Committee's Report

The Board of Directors of the Bank has prepared and submitted the 2016 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. Charles Yang 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 22, 2017

4. Financial Statements for 2016 : 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, 2016	Dec. 31, 2015	Difference	
			Amount	%
Cash & cash equivalent, Due from Central Bank and other banks	65,385,579	71,659,720	(6,274,141)	-8.76%
Financial assets at fair value through profit or loss(note 1)	9,538,090	9,058,815	479,275	5.29%
Securities purchased under re-sale agreements	27,855,242	22,072,191	5,783,051	26.20%
Account receivable – net	17,888,230	15,217,776	2,670,454	17.55%
Current income tax asset	186,231	322,660	(136,429)	-42.28%
Discount & loans – net	284,416,950	278,801,052	3,615,898	1.3%
Financial assets available for sale – net	39,978,425	23,319,718	16,658,707	71.44%
Held-to-maturity investment financial asset (note 2)	7,192,115	4,207,436	2,984,679	70.94%
Stock investments accounted for under the Equity Method	53,447	53,794	(347)	-0.65%
Other Financial Assets - net	57,403,743	61,133,831	(3,730,088)	-6.10%
Property & equipment – net	8,156,305	7,723,438	432,867	5.6%
Investment property-net	5,415,376	3,703,410	1,711,966	46.23%
Intangibles	2,167,730	2,144,240	23,940	1.10%
Due to Central Bank & other banks	1,447,039	1,886,538	(439,499)	-23.30%
Other assets	7,622,068	7,184,578	437,490	6.09%
Total assets	532,706,570	508,489,197	24,217,373	4.76%
Due to Central Bank & other banks(Notes 3)	8,389,312	3,781,976	4,607,336	121.82%
Financial liability at fair value through profit or loss	39,523	54,271	(14,748)	-27.17%
Securities sold under re-purchase agreement	28,874,137	26,986,936	1,887,201	6.99%
Accounts Payable (Notes4)	6,981,464	4,061,998	2,919,466	71.87%
Current income tax liabilities(Note5)	97,549	49,618	47,931	96.60%
Deposit & remittance	431,618,915	421,018,106	10,600,809	2.52%
Bank debentures	12,335,884	10,204,397	2,131,487	20.89%
Other financial liability	4,235,138	2,679,438	1,555,700	58.06%
Provision	189,572	1,044,534	(854,962)	-81.85%
Deferred income tax liabilities	834,410	881,731	(47,321)	-5.37%
Other liabilities	2,892,210	2,575,775	316,435	12.29%
Total liabilities	496,488,114	473,338,780	23,149,334	4.89%
Capital stock	26,051,524	26,051,524	-	-
Capital surplus	32,413	32,413	-	-
Retained earnings	8,673,248	7,087,950	1585,298	22.37%
Others equity (note 6)	1,192,131	1,718,277	(526,146)	(30.62)%

Total equity attributable to owners of the Bank	35,949,316	34,890,164	1,059,152	3.04%
Non control interest	269,140	260,253	8,887	3.41%
Total Equity	36,218,456	35,150,417	1,068,039	3.04%

Notes:

1. The decrease in financial assets at fair value through profit or loss was due to the increase investment to the government bond and corporate bond..
2. The increase of Held-to-maturity investment financial asset : the increase investment to the government bond and corporate bond
3. The increase of Due to Central Bank & other banks: Mainly due to the increase in call loans from banks
4. The increase of Accounts Payable: Mainly due to the increase in the notes and checks for clearance
5. The increase of Current income tax liabilities: Mainly due to the increase in income tax payable
6. The increase of Others equity : Mainly due to the decrease in employee benefit liability reserves.

2. Results of Operation

In NT$ thousand

Item	2016 Amount	2015 Amount	Change in Amount	Change in %
Interest Income	6,304,372	6,084,424	219,948	3.16%
Income other than Interest Income	5,707,288	5,656,298	50,990	0.90%
Reversal of Bad debt expense	171,542	(113,942)	285,484	-
Operating expense	8,529,331	8,014,400	514,931	6.43%
Income (loss) before tax	3,310,787	3,840,264	(529,477)	(13.79)%
Income tax benefits (expense)	649,166	701,340	(52,174)	(7.44)%
Consolidated income	2,661,621	3,138,924	(477,303)	(15.21)%
Other comprehensive income, net of income tax	(535,336)	298,867	(834,203)	(279.12)%
Total comprehensive income	2,126,285	3,437,791	(1,311,506)	(38.15)%

Notes of change:

Reversal of Bad debt expense: Mainly due to the decrease in bad debts recovery and also a gradual increase in loan loss provision, because of Category One credit assets such as residential purchases, house repairs, and construction loans should be raised up to 1.5% at the end of 2016.increased to 1.5%

Other comprehensive income, net of income tax: Mainly due to the decrease in unrealized gains and losses on other equity such as available-for-sale financial assets

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

Item \ Year	2016	2015	Change in %
Cash flow ratio (%)	3.45%	-	3.45%
Cash flow adequacy ratio (%)	78.95%	115.75%	(36.50)%
Cash flow satisfaction ratio (%)	34.71%	-	34.71%

Analysis of changes in proportion:
The decrease in cash flow adequacy ratio was due to due to the decrease in net cash flows from operating activities accumulated for the past five years
The Increase of Cash flow satisfaction ratio:. due to the decrease in net cash flows from operating activities accumulated for 2016.

(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
78,026,360	22,272,474	1,879,594	102,178,428	-	-

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 and commercial paper .
   (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 2016
The Bank's Investment profit recognized in 2016 totalled NT$170,000,000 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-2016

Item	Contents
1. Credit risk management strategies and procedures	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	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	Scope of Risk Reporting 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

Item	Contents
	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. Measurement System: The Bank adopts the Standardized Approach to compute the capital requirement and regularly generates official risk management reports. The Risk Management Dept. and the respective business administration departments generate various risk exposure reports by business, industry, country, group, credit concentration and types of collateral, to effectively measure and manage the combination of asset.
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, 2017

In NT$ thousand

Type of exposure	Exposure after risk reduction	Capital requirement(Note)
Sovereign states	72,204,972	97,154
Public departments other than the central government	36,504,184	675,327
Banks (including multiple development banks)	19,539,654	860,270
Enterprises (including securities and insurance companies)	67,374,883	5,759,304
Retailing credits	153,989,254	11,544,048
Residential real estate	63,749,578	3,778,760
Investments in equity securities	76,607	28,345
Other assets	17,725,018	944,137
Total	431,164,150	23,687,344

Note: The capital requirement is exposure after risk reduction multiplying by the statutory minimum capital adequacy ratio(2017: 9.25%).

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

a. Risk Management System of Asset Securitization in 2016

Item	Contents
1. Management strategy and procedure of securitization	(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. (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.
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	

Item	Contents
securitization process. d. The description of monitoring tool in credit and market fluctuation related to securitization exposure. e. Management policy of offsetting credit risk in securitization and re securitization.	Not applicable since the Bank does not act as the originating bank of securitized product.
7. The description of accounting policy of bank's securitization..	
8.Explian 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, 2016

Type	Total issue amount	Outstanding balance	Amount repurchased
None			

c. Exposure & Capital Requirement of Asset Securitization As of December 31, 2016

In NT$ thousand

The role of bank	Book Type	Type of exposure	Conventional – Exposures – Held or Purchased	Conventional – Exposures – Liquidity facilities provided	Conventional – Exposures – The enhancement of credit provided	Conventional – Exposures – Subtotal (1)	Conventional – Capital requirement (2)	Portfolio – Exposure – Held or Purchased (3)	Portfolio – Capital requirement (4)	Total – Exposures (5)=(1)+(3)	Total – Capital requirement (6)=(2)+(4)	Total – Capital requirement prior to securitization
Non-originating bank	Bank Book	CMO	51,607,653	0	0	51,607,653	73,532	0	0	51,607,653	73,532	
	Trade Book		0	0	0	0	0	0	0	0	0	
	Subtotal	CMO	51,607,653	0	0	51,607,653	73,532	0	0	51,607,653	73,532	
Originating bank	Bank Book											
	Trade Book											
	Subtotal											
Total		CMO	51,607,653			51,607,653	73,532			51,607,653	73,532	

d. Information of Securitized commodities investment As of December 31, 2016

I. Summary of Investment in Securitized commodities

USD：NTD = 1 ：32.279 In NT$ thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
CMO	Held-to-maturity financial assets	27,759	5,702	1	27,759
CMO	Non-active market debt instruments	51,712,825	1,350,581,	2,857	51,433,547

Note1: The above numbers do not include the amount of Interest Receivable.
Note2: Accumulated valuation gains or losses and accumulated impairment losses were calculated and provided by an internationally renowned professional risk management agency (MARKIT model).

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 ：32.279 In NT$ thousand

Name of Securities	Account (Note)	Currency	Issuer & Place	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
Ginnie Mae CMO	Non-active market debt instruments	USD	Ginnie Mae	20101230-20161230 / 20171008-20280405	2.5%~5.5%	Moody's Aaa Fitch AAA S&P AA+	Monthly	40,855,980	0	220,616	40,635,354	N/A	N/A
Freddie CMO	Non-active market debt instruments	USD	Freddie Mac	20121030-20121130 / 20200829-20291121	3.0%~3.5%		Monthly	688,188	0	3,713	684,475		
Fannie Mae CMO	Non-active market debt instruments	USD	Fannie Mae	20121030 / 20190423	3.0%		Monthly	1,071,368	0	5,781	1,065,587		

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

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

iii. Bank acting as the buyer or liquidating buyer of the impaired assets of Securitized commodities

In NT$ thousand

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

III. Bank acting as the guarantor of, or the provider of liquidity facility for the Securitized commodities

In NT$ thousand

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

C. Operation Risk Management System and Capital Requirement

a. Operation Risk Management System

2016

Item	Risks
1. Operation risk management strategies and procedures	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. Procedure: The Bank has built up an operation risk management mechanism through procedures for risk identification, assessment, measuring, monitoring and reporting.
2. Operational risk management organization and framework	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.

Item	Risks
3. Scope and characteristics of the operational risk reporting and measurement system	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	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, 2016

In NT$ thousand

Year	Gross profit	Capital requirement
2014	8,724,893	
2015	9,542,818	
2016	9,547,482	
Total	27,815,193	1,390,760

D. Market Risk Management System and Capital Requirement

a. Market Risk Management System－2016

Item	Contents
1. Market risk management strategies and procedures	1. The Bank has enacted "UNION BANK market risk management principle" approved by the Board of Directors, as the basis for market risk management. 2. The management procedure of market risk management contains the following five processes: (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	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 Π 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	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

Item	Contents
	external reports as the basis for management decision-making.
4. Market risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	When market risk is excessive or the position limit or stop-loss limit has been exceeded, the bank will take following market risk reduction method: hedging, portfolio adjustment, position adjustment, square stop-loss and stop new transaction.
5. Method used to provide the legal capital	Standardized Approach.

b. Market Risk Capital Requirement

March 31, 2017

In NT$ thousand

Type of risk	Capital requirement
Interest rate risk	582,988
Equity securities risk	1,388,039
Foreign exchange risk	221,043
Product risk	0
Total	2,192,070

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, 2016

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	437,112,956	53,797,283	57,789,280	28,350,870	38,197,116	74,328,205	184,650,202
Main capital outflow on maturity	529,154,086	27,213,226	28,625,701	52,344,727	62,887,509	137,719,453	220,363,470
Gap	(92,041,130)	26,584,057	29,163,579	(23,993,857)	(24,690,393)	(63,391,248)	(35,713,268)

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, 2016

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	2,734,149	126,023	91,909	59,878	115,787	2,340,552
Main capital outflow on maturity	2,346,293	1,059,256	245,393	269,163	401,994	370,487
Gap	387,856	(933,233)	(153,484)	(209,285)	(286,207)	1,970,065

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

c. Approach to Manage Assets and Liabilities

i. The Bank's assets and liabilities management mechanism applies the asset and liability interest rate sensitivity and gap analysis for control purpose. Presently, the Bank has set up the Assets and Liabilities Management Committee to provide guidance and policy instruction and, to manage interest rate fluctuations and gaps. In addition to fully monitoring on interest rate, senior executive meetings are called from time to time as needed to exercise overall adjustment and review the Bank's asset and liabilities structure, and present result to the Committee for approval.

ii. For the interest rate risk of NTD and foreign currencies, the Bank employ well-established trading and funding MIS to manage daily changes of deposit and loan amounts, as well as the cost and balance of deposits in various types and terms. In addition, it will produce the analysis of floating and fixed interest rate deposits and loans, the analysis of interest rate sensitivity and the analysis of interest rate spread. The Bank will utilize above mentioned information and analyses to set up strategies for interest rate adjustment.

iii. For foreign exchange risk, the Bank has designed independent and related procedures for transaction settlement, and has also applied the position control, individual trader position control and stop-loss control etc.

iv. For liquidity risk, the Bank strictly monitor cash on hands and the movement of deposits and loans every day. Meanwhile, the Bank has also launched the mechanism to forecast, measure, calculate and early warning for future needs and changes of funding so as to realize current assets to meet the needs.

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

A. 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. New amendments to the Personal Information Protection Act "Special

Personal Data" require that "special personal data" be collected, processed or used with the written consent of the data subject, the "written consent" for the existing "general personal data" to be collected, processed or used is amended to only "consent" and no longer limited in writing, and a supplementary notification is given after indirect collection. The Bank has revised the Notices for Personal Information Protection and the personal information files security maintenance plan accordingly. The evaluation shows that there should be no need to increase the cost of manpower and material resources and expenses.

C. For the Principle of Fair Treatment of Customers for the Financial Service Industry newly promulgated by the Financial Supervisory Commission, the contents of which include nine principles: the principle of fair and honest in contract engagement, the principle of duty of care and loyalty, the principle of truthfulness in marketing and advertising, the principle of product or service suitability, the principle of notification and disclosure, the principle of selling complex high risk products, the principle of balanced remuneration structures, the principle of customer complaint handling, and the principle of professionalism of sales people. The Bank has formulated the policy for fair treatment of customers and the implementation strategy for fair treatment of customers to enhance employee awareness of the Bank on financial consumer protection and compliance with the relevant laws and regulations regarding financial consumer protection. The evaluation shows that the future compensation for risks and expenses of financial consumers should be able to be reduced.

(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:
To continue to rejuvenate our brand and expand new customers, the Bank plans on brand image advertising, while making cross-use of television, printing, out-of-home media, and emerging media such as network community and mobile devices for promotion to enhance brand visibility. It also creates a new look for the brand through the spokesperson, the mascot Mykonos, sponsoring cross-industry alliances and participating in public welfare activities, and so on to create a new look brand and improve the brand image and visibility of the Bank.

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 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 strenghten 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 wil not be impacted as a result of a significant change in share ownership. The Bank shall ensure infromation transparency in the event of a significant tranfer or change in share ownership and files a declaration and makes public announcement with respect to the changes in accordance with the relevant banking regulations to secure investor and consumer confidence.

(10) Legal Actions and Non-contentious Matters: None.

(11) Other Major Risks and Response Actions thereof: None.

7. Contingency Plan

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

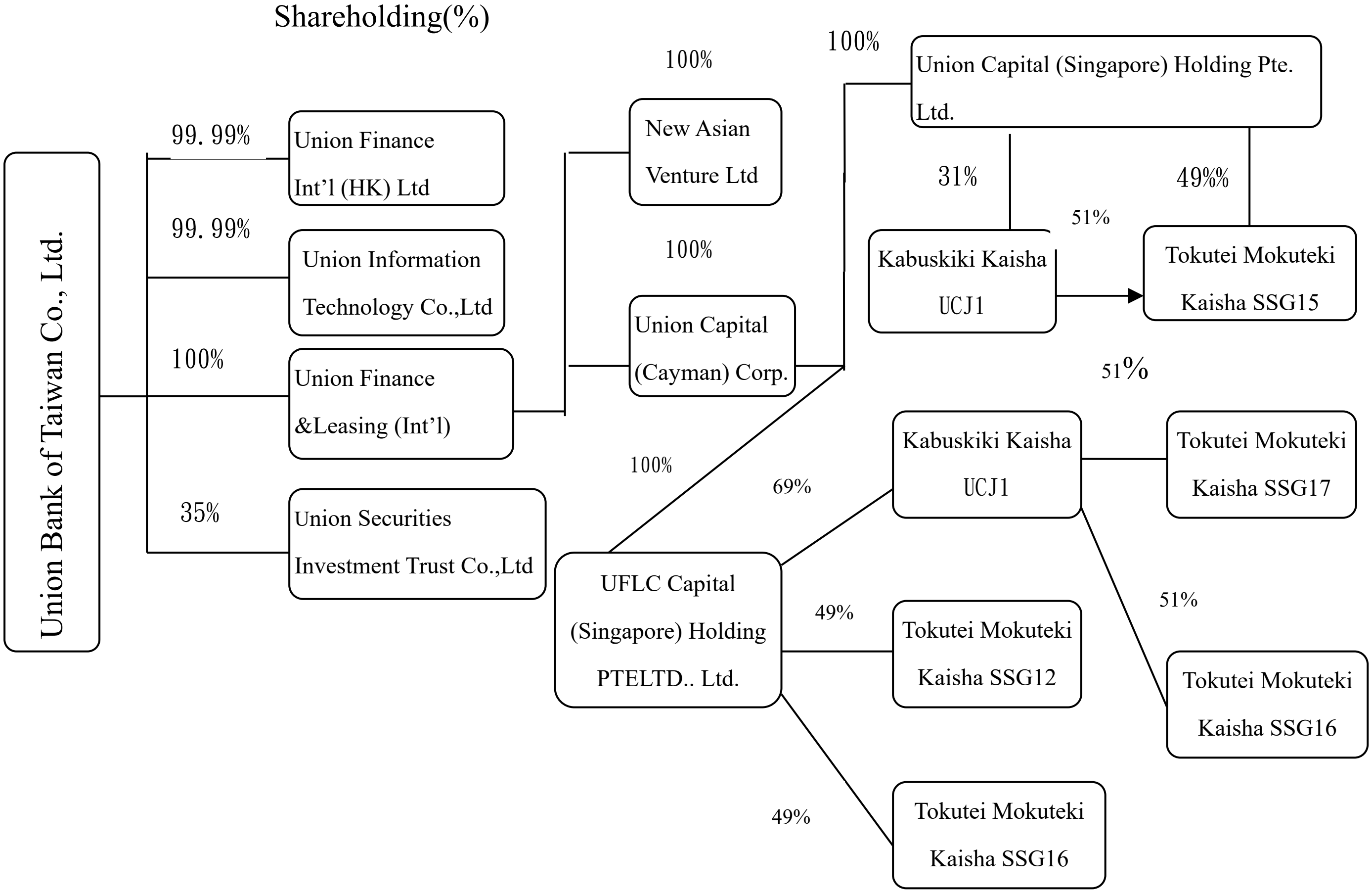
8. Other Important Matters: None

Affiliated and Special Notes

1. Information on Affiliated Enterprises

(1) Organization Chart

Shareholding(%)



Amount in NT$ thousand

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business or Production Activities
Union Finance International (HK) Ltd	1996.04.23	Unit 18, 35/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong	106,589	Import and export financing
Union Information Technology Co., Ltd.	1998.08.10	10F, No. 109, Sec. 3, Minsheng E. Road, Taipei, Taiwan	10,000	Distribution of computer hardware and software, development of system programs, outsourcing of system construction, website design and e-commerce services
Union Finance & Leasing (Int'l) Co., Ltd.	1996.11.11	9F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	1,050,000	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 Capital (Cayman) Corp.	1997.07.23	P.O.Box 1034,George Town, Grand Cayman, Cayman Islands, British West Indies.	USD50	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.	-	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。
UFLC Capital (Singapore)Holding Pte. Ltd.	2016.3.11	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	JPY1,043,800	Lease investment businesses。
Tokutei Mokuteki Kaisha SSG15	2014.9.19	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	JPY1,430,200	Lease investment businesses。
Tokutei Mokuteki Kaisha SSG12	2016.2.25	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	JPY1,930,200	Lease investment businesses。
Tokutei Mokuteki Kaisha SSG16	2016.3.31	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	JPY2,530,200	Lease investment businesses。

(2) Information on Directors, Supervisors and President of Affiliated Enterprises

December 31, 2016

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	99.999993%
	Director	Shiang-Chang Lee	2	0.000007%
	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: Yin-Bor Chan)		
	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)	105,000,000	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 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

Affiliated and Special Notes

Name of Enterprise	Title	Name of Representative	Shareholding	
			Shares	%
UFLC Capital (Singapore)Holding Pte. Ltd.	Director	Union Capital (Cayman) Corp (Representative: Wei-Shin Shen)	1	100.00%
	Director	Union Capital (Cayman) Corp Ru-Jwu Tsai	0	0
Kabuskiki,Kaisha UCJ1	Director	Union Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	9,259	31%
	Director	UFLC Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	21,050	69%
Tokutei Mokuteki Kaisha SSG15	Director	Union Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	14,015	49%
	Director	Kabuskiki Kaisha UCJ1 (Representative: Cheng-Juh Hsieh)	14,586	51%
Tokutei Mokuteki Kaisha SSG12	Director	UFLC Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	18,915	49%
	Director	Kabuskiki Kaisha UCJ1 (Representative: Cheng-Juh Hsieh)	19,868	51%
Tokutei Mokuteki Kaisha SSG16	Director	UFLC Capital (Singapore)Holding Pte. Ltd. (Representative: Wei-Shin Shen)	24,795	49%
	Director	Kabuskiki Kaisha UCJ1 (Representative: Cheng-Juh Hsieh)	25,806	51%

(3) General Information of Affiliated Enterprises

December 31, 2016 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	124,867	291,852	218,917	72,935	14,087	2,934	2,934	0.10
Union Information Technology Co., Ltd.	10,000	97,403	62,647	34,756	121,113	4,248	13,843	13.84
Union Finance & Leasing (International) Co., Ltd.	1,050,000	11,329,568	8,724,735	2,604,833	2,087,982	116,742	143,194	1.36
Union Securities Investment Trust Co., Ltd.	300,000	441,379	27,323	414,056	146,307	24,161	38,838	1.29
Union Capital (Cayman) Corp.Note2	1,614	2,677,784	2,168,188	509,596	40,745	2,628	2,628	52.57
New Asian Ventures Ltd.	1	85,186	20	85,166	4,894	4,411	4,411	4411.00
Union Capital (Singapore) Holding PTE . Ltd. Note2	1	745,201	744,455	746	26,375	(6,193)	(8,424)	-
Uflc Capital (Singapore) Holding PTE . Ltd. Note2	1	1,517,681	1,516,642	1,039	9,050	(4,461)	(4,461)	-
Kabuskiki Kaisha UCJI Note2	78,886	1,443,944	1,025,898	418,046	21,323	(2,859)	(7,810)	-
Tokutei Mokuteki Kaisha SSG15 Note2	394,306	1,085,629	663,006	422,623	74,526	30,839	30,440	1,064.30
Tokutei Mokuteki Kaisha SSG12 Note2	532,156	1,136,708	597,037	539,671	36,268	8,128	8,128	210.56

Affiliated and Special Notes

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 ($)
Tokutei Mokuteki Kaisha SSG16 Note2	697,576	794,708	94,179	700,529	18,431	3,175	3,175	62,75

Note1: HKD/TWD:4.162240 for Asset and Liability items HKD/TWD:4.159969 for P/L items

Note2 : JPY/TWD:0.275700 for Asset and Liability items JPY/TWD:0.296376 for P/L Items

(4) Relationships between the business activities conducted by affiliated enterprises: please refer to Page 153 to Page 155.

2. **Private placement of marketable securities and financial debentures in the past year and current year up to the printing date of the annual report:** None.

3. **Shares of the Bank held or disposed of by subsidiaries in the past year and current year up to the printing date of the annual report:** None.

4. **Other necessary supplements:** None.

5. **In the past year and current year up to the printing date of the annual report, any event which has a material impact on shareholders' equity or securities prices pursuant to Article 36.2.2 of the Security and Exchange Law:** None.

Bank Directory

Bank Directory

Branch Name	Address	Telephone
Head Office	3F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
International Banking Dept	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Trust Department	3F, No.137, Sec. 2, Nanjing E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2507-4066
Credit & Payment Dept.	5F, No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taipei City 105, Taiwan (R.O.C.)	(02)2719-2233
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, Minquan 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
Shihtung 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.146, 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
Yungho 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.711, Sec.2, Taiwan Blvd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2328-5666
North Taichung Branch	No.13, Sec. 3, Wunsin Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2311-8555
Wenhsin Branch	No.208-1, Sec. 4, Wunsin Rd., North District, Taichung City 404, Taiwan (R.O.C.)	(04)2298-0808
Beitun Branch	No.701, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04)2245-2636

Bank Directory

Branch Name	Address	Telephone
Minchuan Branch	No.135, Mincyuan Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04)2220-6789
Hsitun Branch	No.277, Sec. 2, Situn Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2702-2152
Singchung Branch	No.406, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan (R.O.C.)	(04)2261-4040
Fongyuan Branch	No.102, Fucian St., Fongyuan District, Taichung County 420, Taiwan (R.O.C.)	(04)2522-8800
Yuanlin Branch	No.785, Sec. 1, Jhongshan Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04)834-7666
South Yuanlin Branch	No.37, Sanmin St., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04)832-6388
Chiayi Branch	No.285, Jhongshan Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)228-5908
East Chiayi Branch	No.372-1, Gongming Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)229-3922
Tainan Branch	No.271, Sec. 4, Simen Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)251-3377
Fucheng Branch	No.92, Jhongjheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	(06)229-0866
Fuchiang Branch	No.15, Sec. 3, Dongmen Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)260-1268
Kaiyuan Branch	No.229, Kaiyuan Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)235-4445
South Tainan Branch	No.379, Sec. 1, Jinhua Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06)265-5663
Kaohsiung Branch	No.204, Guanghua 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)226-5353
Lingya Branch	No.30, Sihwei 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)338-6033
Sanmin Branch	No.73, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)389-0258
Chiuju Branch	No.495, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)311-8871
North Kaohsiung Branch	No.468, Bo'ai 1st Rd ., Gushan District, Kaohsiung City 804, Taiwan (R.O.C.)	(07)558-6158
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	Royal Tower Building, 8th Floor, Room 805, 235 Nguyen Van Cu Street, Dist.1, Ho Chi Minh City, Vietnam	(848)3925-9208
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, 2016 and 2015 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

Opinion

We have audited the accompanying financial statements of Union Bank of Taiwan (the Bank), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of each key audit matters of the financial statements for the year ended December 31, 2016 are as follow:

Accuracy of Interest Revenue Recognition of Discounts and Loans

For the year ended 2016, the amount of interest revenue of discounts and loans is $6,189,110 thousand, representing approximately 62% of total net revenue, and is considered material to the financial statements as a whole. Refer to Notes 30. Therefore, we consider the accuracy of the recognition thereof to be a key audit matter for the year ended December 31, 2016.

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

1. Understanding the design of the Bank's computerized information system and General IT Control, test its operating effectiveness in order to determine the effectiveness of controls over the relevant application system and the information generated.

2. Understanding the design of the application system for recognition of commercial loans discount and interest revenue. Perform operating effectiveness testing of relevant automated controls in the application system.

3. Determine and verify the material classification of loans. Verify if there is any difference in the balance of loans generated by information system and carrying amount on per book.

4. Testing and assessing the accuracy of interest revenue generated by information system. Verify if there is any difference in the balance of loans generated by information system and carrying amount on per book.

Possible Impairments on Discounts and Loans

As of December 31, 2016, the net amount of discounts and loans of the Bank is $284,040,723 thousand, representing approximately 54% of total consolidated assets, and is considered material to the financial statements as a whole. Refer to Note 11. The Bank's management performs loan impairment assessment involving critical judgements such as accounting estimates and assumptions; therefore, we determined allowances for possible losses on discounts and loans to be a key audit matter for the year ended December 31, 2016.

The Bank's management performs loan impairment assessment through reviewing portfolios of loans periodically, and makes a judgement on whether to recognize impairment losses per observable evidence indicating the probable occurrence of impairment events. The amount of impairment losses is the difference between the asset's carrying amount and the present value of the estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate. In addition, the allowance provision must comply with relevant regulations issued by the authorities.

For the accounting policies and relevant information on loan impairment assessment, refer to Notes 4, 5 and 12 to the financial statements.

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

1. Obtain an understanding of and test the controls in respect of the Bank's loan impairment process.

2. Sample individually impairment assessed loans by:

   - Verifying the accuracy of the balance of loans.

   - Considering the payment of principal and interest, in order to assess that the classification of credit assets have complied with relevant regulations issued by the authorities.

   - Assessing the assumptions used to estimate future cash flows and the reasonableness of the value of collateral.

3. Sample collectively impairment assessed loans by:

   - Obtaining an understanding of the reasonableness regarding the classification of collectively assessed loans.

   - Obtaining an understanding of and performing test on the assumptions of critical factors of collectively assessed loans, including the possibility of the impairment and the recoverability of loan balances, used in the impairment assessment model to verify whether the real outcome of each loan portfolio can be reflected.

   - Recalculating the impairment to confirm its adequacy and accuracy.

4. Test the classification of credit assets in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by the authorities.

Emphasis of Matter

As stated in Notes 1 and 15 to the financial statements, the Bank merged with Union Insurance Broker Company, a 100% owned subsidiary of the Bank on August 1, 2016. The merger should be treated as a reorganization. Thus, the Bank should restate its financial statements retrospectively. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

<u>*Notice to Readers*</u>

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015 (Restated and Note 15)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 9,974,690	2	$ 7,839,544	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	54,414,461	10	63,312,965	13
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	9,291,613	2	8,815,810	2
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	27,845,242	5	22,052,189	4
RECEIVABLES, NET (Notes 4, 5, 10 and 12)	17,768,361	3	15,141,449	3
CURRENT TAX ASSETS (Note 4)	183,591	-	316,861	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 40)	284,040,723	54	280,781,558	56
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 5, 13 and 40)	39,548,602	8	22,911,977	5
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4 and 14)	7,192,115	1	4,191,245	1
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 15)	2,910,889	1	2,758,367	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 16 and 41)	56,620,906	11	60,969,196	12
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	8,136,374	2	7,713,726	1
INTANGIBLE ASSETS (Note 4)				
Goodwill (Notes 5 and 18)	1,985,307	-	1,985,307	-
Computer software	179,209	-	154,974	-
Total intangible assets	2,164,516	-	2,140,281	-
DEFERRED TAX ASSETS (Notes 4 and 38)	1,307,570	-	1,750,150	-
OTHER ASSETS, NET (Notes 4, 19, 40 and 42)	2,230,774	1	2,193,401	-
TOTAL	$ 523,630,427	100	$ 502,888,719	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and other banks (Note 20)	$ 7,017,629	1	$ 3,163,991	1
Financial liabilities at fair value through profit or loss (Notes 4, 5 and 8)	38,430	-	54,271	-
Securities sold under agreements to repurchase (Notes 4 and 21)	28,874,137	6	26,986,936	5
Accounts payable (Notes 22 and 40)	6,889,250	1	4,037,153	1
Current tax liabilities (Note 4)	64,784	-	32,955	-
Deposits (Notes 23 and 40)	432,062,824	83	421,746,026	84
Bank debentures (Notes 4 and 24)	11,200,000	2	9,600,000	2
Other financial liabilities (Note 25)	19,566	-	20,408	-
Provisions (Notes 4, 5, 12 and 26)	176,554	-	1,026,155	-
Deferred tax liabilities (Notes 4 and 38)	815,251	-	869,197	-
Other liabilities (Notes 28, 40 and 42)	522,686	-	461,463	-
Total liabilities	487,681,111	93	467,998,555	93
EQUITY				
Capital stock				
Common stock	26,051,524	5	26,051,524	5
Capital surplus	32,413	-	32,413	-
Retained earnings				
Legal reserve	4,374,367	1	3,450,907	1
Special reserve	558,842	-	558,842	-
Unappropriated earnings	3,740,039	1	3,078,201	1
Total retained earnings	8,673,248	2	7,087,950	2
Other equity	1,192,131	-	1,718,277	-
Total equity	35,949,316	7	34,890,164	7
TOTAL	$ 523,630,427	100	$ 502,888,719	100

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

(With Deloitte & Touche auditors' report dated March 22, 2017)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015 (Restated and Note 15)		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST (Notes 4, 30 and 40)					
Interest revenues	$ 10,051,894	102	$ 10,129,151	103	(1)
Interest expenses	3,653,016	37	3,958,924	40	(8)
Net interest	6,398,878	65	6,170,227	63	4
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4, 31 and 40)	2,454,451	25	2,299,041	23	7
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 32)	365,278	4	420,635	4	(13)
Realized gain on available-for-sale financial assets, net (Notes 4 and 33)	449,182	4	248,489	3	81
Share of profit of associates (Note 4)	173,216	2	141,458	1	22
Foreign exchange gain (loss), net (Note 4)	(9,514)	-	495,162	5	(102)
Impairment loss recognized on financial assets, net (Notes 4, 16 and 34)	(49,283)	(1)	(104,843)	(1)	(53)
Securities brokerage fee revenues, net (Note 40)	52,172	-	64,113	1	(19)
Gain on financial assets measured at cost, net	57,955	1	48,650	1	19
Property loss, net	(3,948)	-	(948)	-	316
Other noninterest net gain	18,806	-	23,906	-	(21)
TOTAL NET REVENUES	9,907,193	100	9,805,890	100	1
PROVISIONS (Notes 4 and 12)					
Provision (reversal) of allowance for doubtful accounts	171,542	2	(113,942)	(1)	251

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015 (Restated and Note 15)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Personnel expenses (Notes 4, 27, 35 and 40)	$ 3,137,375	31	$ 2,959,823	30	6
Depreciation and amortization (Notes 4 and 36)	305,759	3	252,655	3	21
Others (Notes 37 and 40)	3,066,039	31	2,944,211	30	4
Total operating expenses	6,509,173	65	6,156,689	63	6
INCOME BEFORE INCOME TAX	3,226,478	33	3,763,143	38	(14)
INCOME TAX EXPENSE (Notes 4 and 38)	590,103	6	642,241	6	(8)
NET INCOME	2,636,375	27	3,120,902	32	(16)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 27)	(16,223)	-	(61,045)	(1)	(73)
Share of the other comprehensive income of subsidiaries and associates	4,449	-	162	-	2,646
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 38)	2,758	-	10,378	-	(73)
	(9,016)	-	(50,505)	(1)	(82)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(539,546)	(6)	80,338	1	(772)
Unrealized gain on available-for-sale financial assets	(60,740)	(1)	340,347	4	(118)
Share of other comprehensive income (loss) of subsidiaries and associates	5,526	-	37,123	-	(85)

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015 (Restated and Note 15)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 38)	$ 68,614	1	$ (108,431)	(1)	163
	(526,146)	(6)	349,377	4	(251)
Other comprehensive income for the year, net of income tax	(535,162)	(6)	298,872	3	(279)
TOTAL COMPREHENSIVE INCOME	$ 2,101,213	21	$ 3,419,774	35	(39)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)					
Basic	$1.01		$1.20		
Diluted	$1.01		$1.19		

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

(With Deloitte & Touche auditors' report dated March 22, 2017) (Concluded)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Capital Stock (Note 29)		Retained Earnings (Notes 4 and 29)				Other Equity (Notes 4 and 29)			
	Common Stock	Share Capital (Note 29)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Total	Total Equity
BALANCE AT JANUARY 1, 2015	$ 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
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
Appropriation of the 2015 earnings										
Legal reserve	-	-	923,460	-	(923,460)	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	(1,042,061)
Net income for the year ended December 31, 2016	-	-	-	-	2,636,375	2,636,375	-	-	-	2,636,375
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(9,016)	(9,016)	(29,920)	(496,226)	(526,146)	(535,162)
BALANCE AT DECEMBER 31, 2016	$ 26,051,524	$ 32,413	$ 4,374,367	$ 558,842	$ 3,740,039	$ 8,673,248	$ 1,272,308	$ (80,177)	$ 1,192,131	$ 35,949,316

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

(With Deloitte & Touche auditors' report dated March 22, 2017)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015 (Restated and Note 15)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,226,478	$ 3,763,143
Adjustments for:		
Depreciation expenses	248,210	207,898
Amortization expenses	57,549	44,757
Provision (reversal) of allowance for doubtful accounts	171,542	(113,942)
Net gain on disposal of financial assets designated as at fair value through profit or loss	(365,278)	(420,635)
Interest expenses	3,653,016	3,958,924
Interest revenues	(10,051,894)	(10,129,151)
Dividend income	(208,005)	(228,904)
Share of profit of associates	(173,216)	(141,458)
Loss on disposal of properties and equipment	3,948	948
Gain on disposal of investments	(299,132)	(68,234)
Impairment loss recognized on financial assets	50,000	120,000
Reversal of impairment losses on nonfinancial asset	(717)	(15,157)
Loss (gain) on disposal of collaterals	241	(6,593)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans banks	(1,496)	1,947,488
Financial assets at fair value through profit or loss	127,674	10,205,190
Accounts receivable	(2,731,287)	(161,539)
Discounts and loans	(3,389,657)	(23,205,947)
Available-for-sale financial assets	(16,398,233)	(8,803,577)
Held-to-maturity financial assets	(2,974,151)	(3,657,614)
Other financial assets	4,423,579	(4,489,643)
Due to the Central Bank and other banks	3,853,638	(3,000,753)
Financial liabilities at fair value through profit or loss	(259,375)	(389,629)
Securities sold under repurchase agreements	1,887,201	(4,804,340)
Accounts payable	2,829,338	(1,490,061)
Deposits	10,316,798	25,370,487
Other financial liabilities	(842)	1,480
Provisions for employee benefits	(806,439)	(1,203)
Cash used in operations	(6,810,510)	(15,508,065)
Interest received	9,910,845	10,076,868
Dividend received	241,509	250,264
Interest paid	(3,630,257)	(3,937,804)
Income tax returned (paid)	35,002	(33,178)
Net cash used in operating activities	(253,411)	(9,151,915)

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015 (Restated and Note 15)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (721,944)	$ (143,722)
Proceeds of the disposal of properties and equipment	23	1,080
Increase in settlement fund	(20,334)	-
Decrease in settlement fund	-	24,443
Increase in refundable deposits	-	(194,748)
Decrease in refundable fund	243,501	-
Payments for intangible assets	(34,669)	(90,028)
Proceeds of the disposal of collaterals	476	21,750
Increase in other assets	(260,541)	(56,517)
Net cash used in investing activities	(793,488)	(437,742)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issue of bank debentures	2,500,000	2,200,000
Repayments of bank debentures	(9,000,000)	-
Increase (decrease) in guarantee deposits received	13,889	(11,866)
Increase in other liabilities	40,314	27,227
Cash dividends paid	(1,042,061)	(637,242)
Net cash generated from financing activities	(7,487,858)	1,578,119
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(537,044)	76,004
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,071,801)	(7,935,534)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	77,991,733	85,927,267
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 68,919,932	$ 77,991,733

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2016 and 2015:

	December 31	
	2016	**2015**
Cash and cash equivalents in balance sheets	$ 9,974,690	$ 7,839,544
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"	39,200,000	48,100,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	27,845,242	22,052,189
Cash and cash equivalents in statements of cash flows	$ 77,019,932	$ 77,991,733

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

(With Deloitte & Touche auditors' report dated March 22, 2017) (Concluded)

1. GENERAL INFORMATION

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

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

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

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

On August 26, 2016, the board of directors of the Bank resolved to merge UIB in order to integrate the resources, strengthen management and business synergy. The merger is approved by FSC (Rule No. 10502022990). The effective date of this merger is August 1, 2016.

As of December 31, 2016, 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 22, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Bank should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the 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)
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
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
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

Note 1: Unless stated otherwise, the above New or amended 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 in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks would not have any material impact on the Bank's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Bank is required to disclose the fair value hierarchy. If the fair value measurements are categorized within (Level 2/Level 3), the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) IFRIC 21 "Levies"

   IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Bank accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

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 group 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. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

   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 amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires the Bank 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. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured 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. When the amendment becomes effective in 2017, Company which provides key management personnel services to the Bank will be treated retrospectively as a related party and disclosed accordingly.

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 amendment will be applied prospectively starting from January 1, 2017.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a Bank 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 those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. The Bank entered into (crude oil) purchase contracts that could be settled net in cash. When the amended IFRS 13 becomes effective in 2017, the Bank will elect to measure the fair value of those contracts on a net basis retrospectively.

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. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

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" stipulates 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" clarifies 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.

6) 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 Bank) "held for sale" and non-current assets "held for distribution to owners" does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for "held for distribution to owners" and do not meet the criteria for "held for sale" should be treated in the same way as assets that cease to be classified as held for sale. The amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

7) Amendments to IFRS 10, IFRS 12 and IAS 28 "'Investment Entities: Applying the Consolidation Exception"

The amendments clarified that when the Bank (non-investment entity) applies the equity method to an associate or a joint venture that is an investment entity, the Bank may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Prior to the amendments, the associate or joint venture measures its interest in subsidiaries at fair value but the fair value is unwound, and instead, those subsidiaries are consolidated in the associate's or joint venture's result in order to be equity-accounted by the Bank. When the amendments become effective, the Bank will elect to retain the measurement applied by the associate or joint venture to its interest in subsidiaries.

8) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Bank are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Bank has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Bank's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

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

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

The FSC announced that IFRS 9 and IFRS 15 will take effect 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 IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
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 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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, 2018.

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 contract; and
- Recognize revenue when the entity satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Bank regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

Under IFRS 15, the Bank will allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. Under current standard, the Bank applies residual value method to allocate the amount of revenue to be recognized.

Incremental costs of obtaining a contract will be recognized as an asset to the extent the Bank expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

When IFRS 15 and related amendment are 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.

3) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

4) 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 consolidated 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 consolidated 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.

5) Amendment 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 as 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 Bank will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

6) Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”

The amendment requires that market condition and non-vesting condition should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. This amendment applies to share-based payment transactions that are unvested at the date the Bank first applies the amendment and to share-based payment transactions with a grant date on or after the date the Bank first applies the amendment.

The amendment also requires that if a cash-settled share-based payment transaction is modified with the result that it becomes an equity-settled share-based payment transaction, the Bank should recognize in equity the fair value of the equity instruments granted at the modification date to the extent of the goods or services received. The difference between the carrying amount of the liability on cash-settled share-based payment transaction derecognized and the amount of equity recognized on the modification date is recognized in profit or loss. This amendment applies only to modifications that occur on or after the date the Bank first applies the amendment.

The amendment states that when the Bank withholds the number of equity instruments equal to the monetary value of tax obligation to fund the withholding tax, the share-based payment has a net settlement feature. Such transaction should be classified in its entirety as equity-settled share-based payment transaction if it would have been so classified in the absence of the net settlement feature. This amendment applies to share-based payment transactions that are unvested or vested but unexercised at the date the Bank first applies the amendment and to share-based payment transactions with a grant date on or after the date the Bank first applies the amendments.

7) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The amendment to IFRS 12 clarified that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal Bank that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5.

The amendment to IAS 28 clarified that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, or a unit trust or similar entities (including investment-linked insurance funds), the Bank may elect to measure that investment at fair value through profit or loss. The Bank shall make this election separately for each associate or joint venture at the initial recognition of the associate or joint venture.

Furthermore, the amendment to IAS 28 clarified that when the Bank (non-investment entity) applies the equity method to account for investment in an associate or a joint venture that is an investment entity, the Bank may elect to retain the fair value of the investment in subsidiaries of the investment entity associate or joint venture. The election should be made separately for each investment entity associate or joint venture, at the later of the date (a) the investment entity associate or joint venture is initially recognized, (b) the associate or joint venture becomes an investment entity, or (c) the investment entity associate or joint venture first becomes a parent.

The Bank shall apply the aforementioned amendments retrospectively.

8) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Bank should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Bank may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Bank is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Bank may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

9) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Bank shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

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.

Business Combinations

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

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 except for: Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

Investments Accounted for Using the Equity Method

a. Investments in subsidiaries

   Subsidiaries are the entities controlled by the Bank.

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

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

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

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

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

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

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

b. Investment in associates

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

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

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

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

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

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

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

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

Financial Instruments

Financial assets and financial liabilities are recognized when a Bank 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 Bank 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 uncollectable, 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 uncollectable 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 Bank 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 collectability 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 collectability.

The MOF regulations also require the grouping of loans into these five classes: Normal, special mention, substandard, with doubtful collectability and uncollectable; 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 uncollectable 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.

For a contract where an owner of land provides land for construction of buildings by a property developer in exchange for a certain percentage of the buildings, exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as property, plant and equipment and the exchange transaction has commercial substance.

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Bank'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.

c. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that remeasurement is recognized in profit or loss.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Bank can no longer withdraw the offer of the termination benefit and when the Bank recognizes any related restructuring costs.

Income Tax

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Interest Revenue and Service Fees

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Estimated impairment of loans and receivables

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

c. Fair value measurements and valuation processes

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

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

d. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	$ 5,817,939	$ 5,840,413
Checks for clearing	3,563,014	1,335,777
Due from banks	593,737	663,354
	$ 9,974,690	$ 7,839,544

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2016	2015
Deposit reserve - checking account	$ 3,985,664	$ 4,410,194
Required deposit reserve	11,164,239	10,746,559
Deposit reserve - foreign-currency deposits	64,558	56,212
Deposit account in Central Bank	39,200,000	48,100,000
	$ 54,414,461	$ 63,312,965

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets held for trading		
Commercial paper	$ 8,300,747	$ 5,974,371
Government bonds	151,223	153,772
Domestic quoted stocks	68,371	310,264
Mutual funds	5,662	85,950
	8,526,003	6,524,357

(Continued)

	December 31	
	2016	2015
Derivative instrument		
Forward exchange contracts	$ 418,515	$ 337,231
Currency swap contracts	15,982	25,832
Option contracts	8,145	24,194
	442,642	387,257
	8,968,645	6,911,614
Financial assets designated as at fair value through profit or loss		
Corporate bonds	-	1,076,321
Principal guaranteed notes	322,968	827,875
	322,968	1,904,196
	$ 9,291,613	$ 8,815,810
Financial liabilities held for trading		
Derivative instrument		
Option contracts	$ 8,135	$ 24,190
Forward exchange contracts	23,924	23,115
Currency swap contracts	6,371	6,966
	$ 38,430	$ 54,271

(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, 2016 and 2015 were as follows:

	December 31	
	2016	2015
Currency swap contracts	$ 11,612,082	$ 21,330,781
Forward exchange contracts	3,090,128	3,363,668
Option contracts		
Buy	1,684,467	2,535,670
Sell	1,684,467	2,535,670

As of December 31, 2016 and 2015, financial instruments at fair value through profit and loss in the amount of $7,054,785 thousand and $5,080,161 thousand were under agreement to repurchase agreements.

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2016	2015
Commercial paper	$ 14,867,255	$ 11,350,076
Government bonds	940,707	443,723
Corporate bonds	12,037,280	10,258,390
	$ 27,845,242	$ 22,052,189
Date of the resell agreement	2017.01-2017.02	2016.01-2016.03
Amount of the resell	$ 27,852,409	$ 22,062,682

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

10. RECEIVABLES, NET

	December 31	
	2016	2015
Notes and accounts receivable	$ 14,391,672	$ 13,119,622
Interest receivable	832,976	684,928
Interbank clearing fund receivable	800,493	800,426
Accounts receivable factoring without recourse	799,844	-
Redemption of convertible bond receivable	513,962	-
Investment receivable	438,998	181,140
Acceptances receivable	135,531	116,920
Collections receivable	68,197	59,444
Settlement price	38,153	15,850
Others	116,781	276,477
	18,136,607	15,254,807
Less: Allowance for doubtful accounts	368,246	113,358
	$ 17,768,361	$ 15,141,449

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

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

11. DISCOUNTS AND LOANS, NET

		December 31	
		2016	2015
Discounts and overdraft		$ 43,283	$ 739,306
Accounts receivable - financing		29,690	37,911
Loans			
Short-term	- unsecured	48,432,945	51,296,167
	- secured	54,147,371	52,345,949
Medium-term	- unsecured	15,783,090	14,731,841
	- secured	45,771,509	45,023,115
Long-term	- unsecured	4,792,014	4,345,031
	- secured	118,036,010	114,931,001
Import and export negotiations		22,985	47,331
Overdue loans		179,120	80,766
		287,238,017	283,578,418
Less: Allowance for doubtful accounts		3,197,294	2,796,860
		$ 284,040,723	$ 280,781,558

As of December 31, 2016 and 2015, the balances of nonaccrual loans were $179,120 thousand and $80,766 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $5,241 thousand in 2016 and $2,752 thousand in 2015.

In 2016 and 2015, the Bank wrote off certain credits after completing the required legal procedures.

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

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The movements in the allowance for doubtful accounts and reserve for losses on guarantees liabilities for the years ended December 31, 2016 and 2015 are summarized as follows:

	Year Ended December 31, 2016			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2016	$ 113,358	$ 2,796,860	$ 194,006	$ 3,104,224
Provision (reversal) of allowance for doubtful accounts	100,436	130,467	(59,361)	171,542
Write-offs	(173,535)	(74,220)	-	(247,755)
Recovery of written-off credits	327,987	345,452	-	673,439
Effects of exchange rate changes	-	(1,265)	(24)	(1,289)
Balance at December 31, 2016	$ 368,246	$ 3,197,294	$ 134,621	$ 3,700,161

	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
Provision (reversal) of allowance for doubtful accounts	(194,458)	66,515	14,001	(113,942)
Write-offs	(161,702)	(94,800)	-	(256,502)
Recovery of written-off credits	339,100	362,168	-	701,268
Reclassification	(7,000)	(106,260)	10,000	(103,260)
Effects of exchange rate changes	-	2,123	5	2,128
Balance at December 31, 2015	$ 113,358	$ 2,796,860	$ 194,006	$ 3,104,224

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Overseas corporate bonds	$ 12,979,154	$ 3,374,593
Overseas financial bonds	8,473,037	6,286,527
Overseas government bonds	5,377,258	-
Domestic corporate bonds	4,424,558	3,471,800
Domestic quoted stocks	3,179,665	3,988,105
Overseas quoted stocks	2,375,111	2,433,640
Mutual funds	1,791,542	2,470,286
Domestic government bonds	948,277	887,026
	$ 39,548,602	$ 22,911,977

The available-for-sale financial assets amounting to $14,636,448 thousand and $3,456,421 thousand as of December 31, 2016 and 2015, respectively, had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
Domestic government bonds	$ 6,864,356	$ 3,862,810
Domestic corporate bonds	300,000	300,000
Asset-based securities	27,759	28,435
	$ 7,192,115	$ 4,191,245

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

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31 2016	December 31 2015
Investments in subsidiaries	$ 2,857,442	$ 2,704,573
Investments in associates	53,447	53,794
	$ 2,910,889	$ 2,758,367

a. Investments in subsidiaries

	December 31 2016	December 31 2015
Union Finance and Leasing International Corporation (UFLIC)	$ 2,604,833	$ 2,465,877
Union Securities Investment Trust Corporation (USITC)	144,920	140,135
Union Finance International (H.K.) Limited	72,936	72,379
Union Information Technology Corporation (UIT)	34,753	26,182
	$ 2,857,442	$ 2,704,573

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 2016	December 31 2015
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 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, 2016 and 2015 was based on the subsidiaries' audited financial statements for the same reporting periods as those of the Bank.
The Bank merged with Union Insurance Broker Company (UIB) on August 1, 2016 under the approval of the FSC. The merger should be treated as a reorganization. In addition, the Bank should recognize all the assets and liabilities of UIB at carrying amount and retrospectively restate the Bank's prior year's financial statements in the comparative financial statements. The Bank acquired UIB's assets and liabilities amounting to $49,592 thousand.

b. Investment in as associates

	December 31 2016	December 31 2015
None individually material		
Union Real-Estate Management Corporation	$ 53,447	$ 53,794

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

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Net loss	$ (347)	$ (389)

The Bank's share of the associate's profit and other comprehensive income for 2016 and 2015 was based on the associate's audited financial statements for the same reporting periods as those of the Bank.

16. OTHER FINANCIAL ASSETS, NET

	December 31 2016	December 31 2015
Debt instruments with no active markets, net	$ 51,433,548	$ 51,446,515
Pledged assets (Note 41)	4,207,784	7,744,951
Due from banks - certificate of deposit	464,500	1,261,813
Financial assets carried at cost, net	507,614	511,514
Non-overdue loans	3,765	3,079
Others	3,695	1,324
	$ 56,620,906	$ 60,969,196

a. Debt instruments with no active markets

As of December 31, 2016 and 2015, debt instruments with no active markets and amounting to $10,163,828 thousand and $25,051,288 thousand, respectively, were under repurchase agreements.

b. Financial assets carried at cost, net

	December 31 2016	December 31 2015
Unquoted stocks		
I Pass Corporation	$ 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	69,262	73,162
	$ 507,614	$ 511,514

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 or certificate of deposits that cannot be cancelled or used.

17. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2015	$ 3,421,707	$ 5,073,535	$ 1,269,217	$ 269,906	$ 134,711	$ 127,387	$ 10,296,463
Additions	-	10,722	102,038	6,760	49,220	81,147	249,887
Disposals	-	-	(68,298)	(3,324)	-	-	(71,622)
Reclassification	-	2,970	101,911	728	9,717	(164,139)	(48,813)
Balance at December 31, 2015	3,421,707	5,087,227	1,404,868	274,070	193,648	44,395	10,425,915
Accumulated depreciation							
Balance at January 1, 2015	-	1,174,004	1,136,185	237,158	26,538	-	2,573,885
Depreciation	-	114,315	50,038	6,962	36,583	-	207,898
Disposals	-	-	(66,338)	(3,256)	-	-	(69,594)
Balance at December 31, 2015	-	1,288,319	1,119,885	240,864	63,121	-	2,712,189
Balance at December 31, 2015, net	$ 3,421,707	$ 3,798,908	$ 283,983	$ 33,206	$ 130,527	$ 44,395	$ 7,713,726
Cost							
Balance at January 1, 2016	$ 3,421,707	$ 5,087,227	$ 1,404,868	$ 274,070	$ 193,648	$ 44,395	$ 10,425,915
Additions	423,916	30,931	124,197	12,349	46,389	84,162	721,944
Disposals	-	-	(176,847)	(1,728)	(672)	-	(179,247)
Reclassification	-	20,900	6,951	1,394	8,404	(84,764)	(47,115)
Balance at December 31, 2016	3,845,623	5,139,058	1,359,169	286,085	247,769	43,793	10,921,497
Accumulated depreciation							
Balance at January 1, 2016	-	1,288,319	1,119,885	240,864	63,121	-	2,712,189
Depreciation	-	120,473	77,594	9,700	40,443	-	248,210
Disposals	-	-	(172,920)	(1,684)	(672)	-	(175,276)
Balance at December 31, 2016	-	1,408,792	1,024,559	248,880	102,892	-	2,785,123
Balance at December 31, 2016, net	$ 3,845,623	$ 3,730,266	$ 334,610	$ 37,205	$ 144,877	$ 43,793	$ 8,136,374

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

In August 2016, the Bank acquired a piece of land in Tucheng Dist. from New Taipei City through the public auction in order to construct business operation office for $423,916 thousand. The Bank completed the payment and obtained the ownership of the land in October 2016. On November 9, 2016, the board of directors of the Bank and UFLIC, the property developer, resolved respectively to enter into a cooperation contract with each other to cooperatively construct a building. Upon completion of the building, the ownership thereof will be attributed to the Bank and UFLIC. Per contract, the Bank will provide its land (estimated cost amounting to $439,626 thousand) in Tucheng District, New Taipei City for constructing the building, and UFLIC will render funds and donate a piece of land originally reserved for the public facilities to the government in exchange for transfer development rights (TDR) to increase the building area. The funds and the TDR in the aggregate amount to $447,614 thousand. The building area increased due to the exercise of the TDR belongs to UFLIC.

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, 2016 and 2015, the balances of accumulated impairment both were $902,691 thousand.

19. OTHER ASSETS, NET

	December 31	
	2016	2015
Refundable deposits	$ 1,767,712	$ 1,990,879
Prepaid expenses	462,906	194,404
Others	156	8,118
	$ 2,230,774	$ 2,193,401

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2016	2015
Due to Chunghwa Post Co., Ltd.	$ 1,339,430	$ 1,417,120
Call loans from banks	5,565,207	1,570,456
Due to the Central Bank and other banks	51,577	143,931
Overdraft	61,415	32,484
	$ 7,017,629	$ 3,163,991

21. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2016	2015
Asset-based securities	$ 8,166,461	$ 18,186,300
Corporate bonds	7,514,752	2,733,866
Commercial paper	6,908,529	4,929,255

(Continued)

	December 31	
	2016	2015
Government bonds	$ 5,459,089	$ 1,137,515
Financial bonds	825,306	-
	$ 28,874,137	$ 26,986,936
Date of repurchase agreement	2017.01-2017.06	2016.01-2016.06
Amount of repurchase agreement	$ 28,907,147	$ 27,000,897

(Concluded)

22. PAYABLES

	December 31	
	2016	2015
Notes and checks in clearing	$ 3,563,016	$ 1,335,779
Accrued expenses	693,018	701,086
Interest payable	654,320	631,550
Stock funds payable	284,614	3,330
Reimbursed for settlement	283,907	47,621
Investments payable	191,923	147,864
Collections payable	163,857	166,734
Bank acceptances payable	135,531	116,995
Tax taxable	84,393	121,972
Payables on equipment	70,777	106,165
Provision for payment to the Bank's check	67,087	73,507
Accounts payable on wire transfers received	65,258	58,221
Dishonored accounts payable	44,243	44,233
Others	587,306	482,096
	$ 6,889,250	$ 4,037,153

23. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Checking deposits	$ 5,489,110	$ 4,713,786
Demand deposits	67,195,542	61,376,432
Savings deposits	285,095,150	279,077,038
Time deposits	73,959,307	76,287,305
Negotiable certificates of deposit	250,700	263,300
Inward and outward remittances	73,015	28,165
	$ 432,062,824	$ 421,746,026

24. BANK DEBENTURES

	December 31 2016	December 31 2015
First issue of subordinated bank debentures in 2009; fixed rate at 2.95%; maturity: June 2016	$ -	$ 900,000
First issue of subordinated bank debentures in 2011; fixed rate at 2.78%; maturity: June 2018	2,000,000	2,000,000
First issue of subordinated bank debentures in 2012; fixed rate at 2.32%; maturity: March 2019	1,500,000	1,500,000
First issue of subordinated bank debentures in 2013; fixed rate at 2.10%; maturity: December 2020	3,000,000	3,000,000
First issue of subordinated bank debentures in 2015; fixed rate at 2.08%; maturity: April 2022	2,200,000	2,200,000
First issue of subordinated bank debentures in 2016; no maturity date and non-cumulative; redeemable at face value plus interest accrued under the approval of the authorities when the issue term is over 5.1 years; fixed rate at 4.20%	2,500,000	-
	$ 11,200,000	$ 9,600,000

25. OTHER FINANCIAL LIABILITIES

	December 31 2016	December 31 2015
Principals of structured products	$ 14,953	$ 11,898
Funds obtained from the government - intended for specific types of loans	4,613	8,510
	$ 19,566	$ 20,408

26. PROVISIONS

	December 31 2016	December 31 2015
Provisions for employee benefits	$ 15,654	$ 805,870
Reserve for losses on guarantees (Note 12)	134,621	194,006
Others	26,279	26,279
	$ 176,554	$ 1,026,155

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.

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 2% 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 Bank 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 Bank's defined benefit plans were as follows:

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ (1,544,965)	$ (1,514,365)
Fair value of plan assets	1,529,311	708,495
Deficit (surplus)	(15,654)	(805,870)
Net defined benefit liability	$ (15,654)	$ (805,870)

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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2016	$ (1,514,365)	$ 708,495	$ (805,870)
Service cost			
Current service cost	(17,840)	-	(17,840)
Net interest expense (income)	(22,715)	10,850	(11,865)
Recognized in profit or loss	(40,555)	10,850	(29,705)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,673)	(3,673)
Actuarial loss - changes in financial assumptions	(21,652)	-	(21,652)
Actuarial gain - experience adjustments	9,102	-	9,102
Recognized in other comprehensive income	(12,550)	(3,673)	(16,223)
Contributions from the employer	-	836,144	836,144
Benefits paid	22,505	(22,505)	-
Balance at December 31, 2016	$ (1,544,965)	$ 1,529,311	$ (15,654)

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Bank 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 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	
	2016	2015
Discount rate	1.375%	1.50%
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	
	2016	2015
Discount rate(s)		
0.25% increase	$ (48,617)	$ (47,547)
0.25% decrease	$ 50,824	$ 49,738
Expected rate(s) of salary increase		
0.25% increase	$ 49,217	$ 48,876
0.25% decrease	$ (47,343)	$ (46,982)

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 24,000	$ 29,705
The average duration of the defined benefit obligation	13 years	13 years

28. OTHER LIABILITIES

	December 31	
	2016	2015
Advance receipts	$ 335,971	$ 310,349
Guarantee deposits received	99,806	85,917
Others	86,909	65,197
	$ 522,686	$ 461,463

29. EQUITY

a. Capital stock

Common stock

	December 31	
	2016	2015
Number of shares authorized (in thousands)	3,000,000	3,000,000
Amount of shares authorized	$ 30,000,000	$ 30,000,000
Number of shares issued and fully paid (in thousands)	2,605,152	2,605,152
Amount of shares issued	$ 26,051,524	$ 26,051,524

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

b. Capital surplus

	December 31	
	2016	2015
Treasury stock transactions	$ 32,413	$ 32,413

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

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

c. Legal reserve

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

d. Special reserve

Items referred to under Rule No. 1010012865, Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

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.

According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

e. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 8, 2016 and, in that meeting, had resolved amendments to the Bank's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to Employee benefits expense in Note 35.

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;

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.

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 earnings of 2015 and 2014 were approved in stockholders' meetings on June 8, 2016 and June 26, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 923,460	$ 928,139		
Stock dividends on common shares	-	1,470,558	$ -	$ 0.60
Cash dividends on common shares	1,042,061	637,242	0.40	0.26

The appropriations from the 2016 earnings were proposed by the board of directors on March 22, 2017. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 790,913	
Special reserve	26,364	
Cash dividends	1,172,319	$0.45

The proposed appropriations from the 2016 earnings, including the bonus to employees and remuneration to directors and supervisors, will be presented to the stockholders in their meeting on June 2017.

The board of directors of the Bank resolved to raise long-term funds in order to cope with long-term business development in the future and the expanding scale of business. The situation depends on the market condition and capital requirements. Also, the board will request stockholders to authorize the board to raise funds by issuing either common stock or preferred stock according to the Bank's Articles of Incorporation or relevant or regulations. The number of shares will not exceed 800,000 thousand shares and issuance amount will not exceed $10,000,000 thousand.

f. Special reserve

Under Rule No. 1010012865 issued by the FSC, the Bank's the special reserve appropriated following IFRSs.

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	
	2016	2015
Balance at January 1	$ 416,049	$ 339,253
Exchange differences arising on translating the foreign operations	(539,546)	80,338
Income tax on related from translating the net assets of foreign operations	58,664	(33,116)
Share of exchange difference of subsidiaries accounted for using the equity method	(15,344)	29,574
Balance at December 31	$ (80,177)	$ 416,049

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 1,302,228	$ 1,029,647
Unrealized gain from the revaluation of available-for-sale financial assets	238,392	408,917
Income tax on unrealized gain from the revaluation of available-for-sale financial assets	9,950	(75,315)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(299,132)	(68,570)
Share of exchange difference of subsidiaries accounted for using the equity method	20,870	7,549
Balance at December 31	$ 1,272,308	$ 1,302,228

30. NET INTEREST

	For the Year Ended December 31	
	2016	2015
Interest revenue		
Discounts and loans	$ 6,189,110	$ 6,423,553
Debt instruments with no active market	1,715,733	1,709,484
Credit card	706,213	803,670
Due from the Central Bank and call loans to other banks	392,886	629,167
Available-for-sale financial assets	845,680	415,129
Securities purchased under resell agreements	119,833	109,332
Held-to-maturity financial assets	63,214	26,146
Others	19,225	12,670
	10,051,894	10,129,151

(Continued)

	For the Year Ended December 31	
	2016	2015
Interest expense		
Deposits	$ 3,113,462	$ 3,512,644
Securities sold under repurchase agreements	214,377	183,609
Bank debentures	291,833	209,162
Due to Chunghwa Post Co., Ltd.	14,366	34,727
Others	18,978	18,782
	3,653,016	3,958,924
	$ 6,398,878	$ 6,170,227

(Concluded)

31. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2016	2015
Commission and fee revenues		
Insurance commission	$ 1,220,848	$ 1,048,454
Credit cards and cash cards	1,029,415	808,374
Trust business	255,903	351,418
Loan business	207,199	191,591
Interbank service fee	143,489	129,293
Underwriting business	105,940	123,231
Guarantee business	82,908	84,113
Remittances	37,062	36,359
Postage/cable charge	22,752	22,534
Custody	17,226	16,313
Agency	16,456	18,800
Import and export business	10,787	8,630
Others	112,731	105,140
	3,262,716	2,944,250
Commission and fee expense		
Credit card	663,369	514,112
Verification of credit	30,588	25,440
Interbank service fee	17,687	15,581
Acquiring liquidation deal	14,340	13,721
Agency fee	13,748	11,795
Others	68,533	64,560
	808,265	645,209
	$ 2,454,451	$ 2,299,041

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

	For the Year Ended December 31	
	2016	2015
Realized gain or loss on financial assets at fair value through profit or loss		
Forward exchange contracts	$ 6,434	$ (25,398)
Interest revenue	163,896	174,282
Currency swap contracts	188,186	212,133
Convertible corporate bonds	19,160	35,809
Commercial paper	22,037	45,772
Option contracts	1,534	6,896
Beneficial securities and stocks	(28,113)	(96,545)
Government bonds	(734)	(2,179)
Dividend	5,335	5,587
	377,735	356,357
Unrealized gain or loss on financial assets at fair value through profit or loss		
Derivative financial assets and liabilities	63,013	84,827
Government bonds and corporate bonds	(88,726)	4,389
Beneficial securities and stocks	14,666	(25,245)
Commercial paper	(1,410)	307
	(12,457)	64,278
	$ 365,278	$ 420,635

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

	For the Year Ended December 31	
	2016	2015
Net income (loss) on disposal - beneficial securities	$ (1,999)	$ 50,752
Dividend	150,050	179,919
Net income on disposal - stocks	213,461	6,853
Net income on disposal - corporate bonds	42,678	10,965
Net income on disposal - financial bonds	44,992	-
	$ 449,182	$ 248,489

34. REVERSAL OF IMPAIRMENT INCOME (LOSS) ON ASSETS

	For the Year Ended December 31	
	2016	2015
Other financial assets	$ (50,000)	$ (120,000)
Foreclosed collaterals	717	15,157
	$ (49,283)	$ (104,843)

35. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2016	2015
Salaries and wages	$ 1,959,049	$ 1,919,763
Bonus	734,364	618,259
Pension		
Defined contribution plans	116,886	109,030
Defined benefit plans	29,705	28,484
Labor insurance and national health insurance	243,088	233,181
Others	54,283	51,106
	$ 3,137,375	$ 2,959,823

As of December 31, 2016 and 2015, the Bank had 3,631 and 3,572 employees, respectively.

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the stockholders in their meeting on June 8, 2016, the Bank accrued employees' compensation and remuneration of directors at the rates of between 1% to 5% and no higher than 0.1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015 which have been approved by the Bank's board of directors on March 22, 2017 and March 16, 2016, respectively, were as follows:

Accrual Rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1.84%	1.84%
Remuneration of directors	0.09%	0.09%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	$ 60,602	$ -	$ 70,497	$ -
Remuneration of directors and supervisors	2,964	-	3,448	-

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

The bonus to employees and remuneration of directors for 2014 which have been approved in the stockholders' meeting on June 26, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	**Share**
Bonus to employees	$ -	$ 69,510
Remuneration of directors	3,475	-

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 2016 and 2015.

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.

Information on the bonus to employees and remuneration of directors resolved by the stockholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

36. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2016	**2015**
Property and equipment	$ 248,210	$ 207,898
Intangible assets	57,549	44,757
	$ 305,759	$ 252,655

37. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2016	**2015**
Rental	$ 608,604	$ 592,499
Outsourcing service	314,283	278,591
Taxation and government fee	534,009	575,090
Advertisement	413,792	356,373
Postage/cable charge	231,534	223,967
Computer operating	161,181	159,186
Deposit insurance	127,965	123,393
Maintenance charge	89,916	97,013
Marketing	71,117	63,768
Donation	32,869	27,937
Printing and binding	42,648	42,602
Others	438,121	403,792
	$ 3,066,039	$ 2,944,211

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	
	2016	2015
Current tax		
Current year	$ 27,731	$ 40,202
Prior year's adjustments	(8,122)	34,732
Additional tax of unappropriated earnings	110,488	-
	130,097	74,934
Deferred tax		
Current year	460,006	567,307
Income tax expense recognized in profit or loss	$ 590,103	$ 642,241

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2016 and 2015 is as follows:

	For the Year Ended December 31	
	2016	2015
Income before tax	$ 3,226,478	$ 3,763,143
Income tax expense at the 17% statutory rate	$ 548,501	$ 639,734
Nondeductible expenses in determining taxable income	201	4,379
Additional income tax under the Alternative Minimum Tax Act	21,432	34,483
Unrecognized deductible temporary differences	42,934	31,417
Additional tax of unappropriated earnings	110,488	-
Tax-exempt income	(125,331)	(102,504)
Adjustments for prior year's tax	(8,122)	34,732
Income tax expense recognized in profit or loss	$ 590,103	$ 642,241

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

As the manner of the 2017 appropriation of the 2016 earnings is uncertain, the income tax consequences on the 2016 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
Recognized in other comprehensive income:		
Unrealized gains on available-for-sale financial assets	$ (9,950)	$ 75,315
Exchange differences on the translation of financial statements of foreign operations	(58,664)	33,116
Actuarial gains and losses on defined benefit plans	(2,758)	(10,378)
Total income tax expenses recognized in other comprehensive income	$ (71,372)	$ 98,053

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, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss of financial instruments	$ 37,954	$ 8,500	$ -	$ 46,454
Employee benefit plan	135,559	4,462	2,758	142,779
Payable for annual leave	5,310	(3,173)	-	2,137
Allowance for possible losses and reserve for losses on guarantees	13,175	36,404	-	49,579
Others	15,385	(142)	-	15,243
	207,383	46,051	2,758	256,192
Loss carryforwards	1,542,767	(491,389)	-	1,051,378
	$ 1,750,150	$ (445,338)	$ 2,758	$ 1,307,570
Deferred tax liabilities				
Temporary differences				
Exchange difference on foreign operations	$ (62,629)	$ -	$ 58,664	$ (3,965)
Available-for-sale finance assets	(357,391)	-	9,950	(347,441)
Amortization of goodwill impairment loss	(337,502)	-	-	(337,502)
Others	(111,675)	(14,668)	-	(126,343)
	$ (869,197)	$ (14,668)	$ 68,614	$ (815,251)

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss of financial instruments	$ -	$ 37,954	$ -	$ 37,954
Employee benefit plan	125,467	(286)	10,378	135,559
Payable for annual leave	18,470	(13,160)	-	5,310
Allowance for possible losses and reserve for losses on guarantees	17,281	(4,106)	-	13,175
Others	16,495	(1,110)	-	15,385
	177,713	19,292	10,378	207,383
Loss carryforwards	2,068,330	(525,563)	-	1,542,767
	$ 2,246,043	$ (506,271)	$ 10,378	$ 1,750,150
Deferred tax liabilities				
Temporary differences				
Exchange difference on foreign operations	$ (29,513)	$ -	$ (33,116)	$ (62,629)
Available-for-sale finance assets	(282,076)	-	(75,315)	(357,391)
Amortization of goodwill impairment loss	(334,729)	(2,773)	-	(337,502)
Others	(53,412)	(58,263)	-	(111,675)
	$ (699,730)	$ (61,036)	$ (108,431)	$ (869,197)

d. Information about loss carryforwards

The Bank's loss carryforwards as of December 31, 2016 were as followed:

Unused Amount	Expiry Year
$ 2,489,453	2018
3,654,948	2019
40,176	2020
$ 6,184,577	

e. Information on the Bank's integrated income tax

	December 31 2016	December 31 2015
Imputation credits accounts	$ 114,475	$ 79,165

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

The creditable ratios for the distribution of the earnings of 2016 and 2015 were 3.06% (expected ratio) and 3.49%, respectively.

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 2016 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 2014 were examined and cleared by the tax authorities. The Bank disagreed with the tax authorities' assessment of the ending balance of imputation credit accounts (ICA) for 2012 and applied for a re-examination. The tax authorities replied on August 24, 2016 that the balance shall be reexamined. The bank expects that there is no major difference between the applied amount and the approved amount.

39. EARNINGS PER SHARE

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

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earnings Per Share (NT$)	
	Pretax	After Tax		Pretax	After Tax
2016					
Basic EPS					
Income for the year attributable to common stockholders	$ 3,226,478	$ 2,636,375	2,605,152	$ 1.24	$ 1.01
Bonus to employees	-	-	8,328		
Diluted EPS	$ 3,226,478	$ 2,636,375	2,613,480	$ 1.23	$ 1.01
2015					
Basic EPS					
Income for the year attributable to common stockholders	$ 3,763,143	$ 3,120,902	2,601,697	$ 1.45	$ 1.20
Bonus to employees	-	-	11,011		
Diluted EPS	$ 3,763,143	$ 3,120,902	2,612,708	$ 1.44	$ 1.19

If the Bank offered to settle compensation or bonuses paid to employees in cash or shares, the Bank assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

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 Finance International (H.K.) Limited	Subsidiary
Union Securities Investment Trust Corporation (USITC)	Subsidiary
Union Capital (Cayman) Corp. (UCCC)	Subsidiary of UFLIC
New Asian Ventures Ltd. (New Asian)	Subsidiary of UFLIC
Union Capital (Singapore) Holding Pte. Ltd. (UCSH)	Subsidiary of Cayman
Uflc Capital (Singapore) Holding Pte. Ltd. (UFLC)	Subsidiary of Cayman
Kabushiki Kaisha UCJ1 (KK)	Subsidiary of UCSH and UFLC
Tokutei Mokuteki Kaisha SSG15 (TMK SSG15)	Subsidiary of UCSH and KK
Tokutei Mokuteki Kaisha SSG12 (TMK SSG12)	Subsidiary of UFLC and KK
Tokutei Mokuteki Kaisha SSG16 (TMK SSG16)	Subsidiary of UFLC 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, 2016

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2016	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonper-forming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	7	$ 9,602	$ 4,353	$ 4,353	$ -	Land and buildings	None
Self-used housing mortgage loans	17	129,901	96,949	96,949	-	Real estate	None
Others	UFLIC	2,311,542	1,623,773	1,623,773	-	Land and buildings	None
Others	4	1,102,950	1,096,150	1,096,150	-	Land, plant buildings, quoted stock and time deposits	None

December 31, 2015

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2015	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	6	$ 8,006	$ 6,122	$ 6,122	$ -	Land and buildings	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	3	1,091,750	1,087,000	1,087,000	-	Land, plant buildings and time deposits	None

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2016	$ 2,821,225	0.99	1.06%-3.00%	$ 58,109	0.58
2015	3,182,482	1.13	1.12%-2.94%	51,001	0.50

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate	Amount	%
2016	$ 5,450,753	1.26	0%-4.80%	$ 33,158	0.91
2015	5,000,105	1.19	0%-3.80%	42,830	1.08

3) Guarantees and letters of credit

December 31, 2016

Name	Highest Balance in the Year Ended December 31, 2016	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 39,874	$ 19,316	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	11,484	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits

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

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	%
2016	$ 4,221	8.09
2015	4,381	6.83

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 Assets)		Rental Expense (Part of Other Operating Expense)	
	Amount	%	Amount	%
2016				
Yu-Pang	$ 454,888	25.73	$ 15,251	2.51
Hung-Kuo	218,768	12.38	101,476	16.69
Yong-Xuan	13,979	0.79	58,207	9.58
UECC	4,384	0.25	9,410	1.55
UFLIC	1,158	0.07	3,470	0.57
2015				
Yu-Pang	454,905	22.85	15,804	2.67
Hung-Kuo	218,768	10.99	101,275	17.09
Yong-Xuan	13,979	0.70	57,659	9.73
UECC	4,384	0.22	9,374	1.58
UFLIC	-	-	3,451	0.58

The Bank rented cars for business use from UFLIC; the rental expenses were $10,582 thousand in 2016 and $10,197 thousand in 2015. Rentals payable as of December 31, 2016 and 2015 were $48 thousand and $68 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 October 2016 (no extension), and from June 2013 to June 2018, respectively. The leasing revenues received were $1,171 thousand and $1,187 thousand in 2016 and 2015, respectively. The lease deposits received (included in other liabilities) were $269 thousand and $295 thousand in 2016 and 2015, respectively.

6) Available-for-sale financial assets

As of December 31, 2016 and 2015, the Bank had purchased 85,608 thousand units and 102,564 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to $1,018,028 thousand and $1,241,659 thousand, respectively.

7) UIT sold computers and related materials and software and provided network services to the Bank. The purchase and service fees were $105,137 thousand in 2016 and $133,867 thousand in 2015.

8) Derivative financial instruments

December 31, 2016						
			Notional	Unrealized	Balance Sheets	
Related Party	Contract	Period	Amount	Gain (Loss)		Balance
UCCC	Currency Swap Contracts	2016.12.27-2017.01.25	JPY1,480,000/ US$12,626	$ (9)	Financial liabilities at fair value through profit or loss	$ (9)

	2016
Gain (loss) on financial instruments at fair value through profit or loss	
UFLIC	$ (3,917)
UCCC	(4,503)
	$ (8,420)

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	
	2016	2015
Short-term employment benefits		
Salaries	$ 32,177	$ 33,656
Transportation expenses	1,140	1,666
	33,317	35,322
Post-employment benefits	2,167	2,246
	$ 35,484	$ 37,568

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, 2016 and 2015, government bonds and bank debentures, which amounted to $154,405 thousand and $92,100 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, brokering life insurance, property and casualty insurance, and as trust reserve. In addition, as of December 31, 2016 and 2015, negotiable certificates of deposit, which amounted to $3,800,000 thousand and $7,400,000 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, 2016 and 2015, the Bank pledged a time deposit of $300,000 thousand and $300,000 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, 2016 and 2015, the Bank's commitments consisted of the following:

	December 31	
	2016	**2015**
Irrevocable standby loan commitment	$ 109,697,387	$ 95,989,931
Unused credit card commitment	238,271,865	192,845,887
Unused letters of credit	860,155	741,548
Other guarantees	10,270,804	11,605,965
Collections for customers	30,941,654	27,068,197
Travelers' checks consigned-in	115,788	130,409
Guarantee notes payable	4,265,400	7,816,100
Trust assets	59,974,657	56,720,926
Marketable securities under custody	4,262,547	3,005,248

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, 2016 and 2015, refundable deposits paid under operating leases were $797,483 thousand and $794,636 thousand, respectively (included in other assets - refundable deposits).

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

	December 31	
	2016	**2015**
Within 1 year	$ 423,831	$ 397,419
Over 1 year up to 5 years	1,086,397	1,099,096
Over 5 years	380,035	368,223
	$ 1,890,263	$ 1,864,738

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, 2016 and 2015, refundable deposits paid under operating leases were $3,653 thousand and $3,678 thousand, respectively (included in other liabilities - guarantee deposits received).

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

	December 31	
	2016	2015
Within 1 year	$ 10,481	$ 9,153
Over 1 year up to 5 years	20,747	6,008
	$ 31,228	$ 15,161

d. Computer equipment purchase contracts

As of December 31, 2016 and 2015, the Bank had contracts to buy computer equipment and software for $403,463 thousand and $306,581 thousand, respectively, of which $250,408 thousand and $172,597 thousand had been paid as of December 31, 2016 and 2015, respectively.

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2016

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 3,045,051	Management fee payable	$ -
Investments		Income tax payable	25
Mutual funds	38,199,360	Marketable securities payable	7,189,491
Common stock	269,587	Trust capital	52,866,325
Short-term bills and securities purchased under resell agreements	132,635	Reserve and deficit	(81,184)
Accounts receivable	1,825		
Stock in custody	7,189,491		
Real estate - land and building	11,136,708		
Total	$ 59,974,657	Total	$ 59,974,657

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2016.

Balance Sheet of Trust Accounts
December 31, 2015

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

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

Income Statement of Trust Accounts
Year Ended December 31, 2016

	Amount
Trust income	
Interest revenue - demand accounts	$ 593
Interest revenue - time deposits	9,206
Interest revenue - short-term bills and securities purchased under resell agreements	246
Cash dividends - common stock	13,599
Income from beneficial certificates	271
Realized capital gain - fund	149
Unrealized capital gain - common stock	10,403
Unrealized capital gain - fund	482
Total trust income	34,949
Trust expense	
Management expense	7,590
Supervisor fee	160
Lawyer fee	100
Taxation	86,014
Agency fees	1,212
Realized capital loss - fund	406
Unrealized capital loss - common stock	6,031
Unrealized capital loss - fund	663
Others	383
Total trust expense	102,559
Loss before tax	(67,610)
Income tax expense	(1,332)
Net loss	$ (68,942)

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

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 - common stock	10,432
Income from beneficial certificates	418
Realized capital gain - fund	317
Unrealized capital gain - common stock	5,667
Unrealized capital gain - fund	218
Other	2
Total trust income	27,645
Trust expense	
Management expense	5,803
Taxation	67,848
Agency fees	1,411
Realized capital loss - fund	174
Unrealized capital loss - common stock	2,712
Unrealized capital loss - fund	840
Other	296
Total trust expense	79,084
Loss before tax	(51,439)
Income tax expense	(2,335)
Net loss	$ (53,774)

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

Trust Property and Equipment Accounts
December 31, 2016

Investment Portfolio	Amount
Bank deposits	$ 3,045,051
Investments	
Mutual funds	38,199,360
Common stock	269,587
Short-term bills and securities purchased under resell agreements	132,635
Accounts receivable	1,825
Stock in custody	7,189,491
Real estate - land and buildings	11,136,708
	$ 59,974,657

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2016.

Trust Property and Equipment Accounts
December 31, 2015

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

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

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, 2016 and 2015 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis				
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 68,371	$ 68,371	$ -	$ -
Debt instruments	151,223	-	151,223	-
Beneficial certificates	5,662	5,662	-	-
Commercial paper	8,300,747	-	8,300,747	-
Financial assets designated as at FVTPL on initial recognition				
Principal guaranteed notes	322,968	-	322,968	-
Available-for-sale financial assets				
Stock	5,554,776	5,554,776	-	-
Debt instruments	32,202,284	-	32,202,284	-
Beneficial certificates	1,791,542	1,791,542	-	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	442,642	-	434,497	8,145
Liabilities				
Financial liabilities at FVTPL	38,430	-	30,295	8,135

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

c. The financial instruments measured at fair value

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

1) Marking to market

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

a) Ensure the consistency and integrity of market data.

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

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

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

2) Marking to model

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

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

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

3) Transfer between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2016 and 2015.

4) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2016

(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	$ 24,194	$ (13,284)	$ -	$ 28,978	$ -	$ (31,743)	$ -	$ 8,145

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

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2016

(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	$ 24,190	$ (12,039)	$ -	$ 32,520	$ -	$ (36,536)	$ -	$ 8,135

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

5) The quantification information of Level 3

Item	Product	Fair Value	Valuation Technique	Significant Unobservable Inputs	Interval (Weighted-average)	Relation Between Input and Fair Value
Derivative financial Instruments						
Financial assets at fair value through profit or loss	Foreign exchange options	$ 8,145	Option pricing model	Ratio	USD/JPY 12.80%-13.28% EUR/USD 10.34%-11.31% USD/TWD 7.50%-8.24% NZD/USD 12.03%-12.04% USD/ZAR 17.63% AUD/USD 11.07%-11.91%	The higher the ratio is, the higher fair value
Derivative financial instruments						
Financial liabilities at fair value through profit or loss	Foreign exchange options	8,135	Option pricing model	Ratio	USD/JPY 12.80%-13.28% EUR/USD 10.34%-11.31% USD/TWD 7.50%-8.24% NZD/USD 12.03%-12.04% USD/ZAR 17.63% AUD/USD 11.07%-11.91%	The higher the ratio is, the higher fair value

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

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

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

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

1)

	December 31			
	2016		2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Held-to-maturity financial assets	$ 7,192,115	$ 7,088,803	$ 4,191,245	$ 4,250,980
Debt instruments with no active market	51,433,548	53,015,036	51,446,515	50,826,020
Financial liabilities				
Bank debentures	11,200,000	11,445,952	9,600,000	9,805,550

2) Fair value hierarchy

Items	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 7,088,803	$ -	$ 7,088,803	$ -
Debt instruments with no active market	53,015,036	-	53,015,036	-
Financial liabilities				
Bank debentures	11,445,952	-	11,445,952	-

Items	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 4,250,980	$ -	$ 4,250,980	$ -
Debt instruments with no active market	50,826,020	-	50,826,020	-
Financial liabilities				
Bank debentures	9,805,550	-	9,805,550	-

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, 2016	December 31, 2015
Irrevocable standby loan commitment	$ 9,482,533	$ 6,569,725
Unused letters of credit	860,155	741,548
Other guarantees	10,270,804	11,605,965
Unused credit card commitments	238,271,865	192,845,887

December 31, 2016	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	$ 228,403,708	$ -	$ -	$ 228,403,708

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

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, 2016		December 31, 2015	
	Amount	**%**	**Amount**	**%**
Private enterprises	$ 71,596,120	24.05	$ 70,481,556	23.87
Public enterprises	5,000,000	1.68	5,000,000	1.69
Government organizations	33,036,805	11.10	36,072,659	12.22
Nonprofit organizations	917,924	0.31	796,650	0.27
Private organizations	186,430,171	62.64	180,559,645	61.14
Foreign enterprises	663,332	0.22	2,390,793	0.81
Total	297,644,352	100.00	295,301,303	100.00

b) By geographical area

The Bank's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Unsecured	$ 63,101,890	21.20	$ 65,049,221	22.03
Secured				
Financial instruments	7,229,286	2.43	7,696,668	2.61
Stocks	9,284,626	3.12	9,477,891	3.21
Properties	194,540,140	65.36	190,828,539	64.62
Movables	15,813,134	5.31	14,523,030	4.92
Guarantees	5,520,845	1.86	5,425,905	1.84
Others	2,154,431	0.72	2,300,049	0.77
Total	297,644,352	100.00	295,301,303	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, 2016	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	$ 8,705,928	$ 3,932,822	$ 40,380	$ -	$ 12,679,130	$ 200,846	$ 1,287,067	$ 14,167,043	$ 62,126	$ 34,319	$ 14,070,598
Acceptances receivable	97,552	37,979	-	-	135,531	-	-	135,531	-	476	135,055
Accounts receivable factoring without recourse	-	799,844	-	-	799,844	-	-	799,844	-	3,504	796,340
Others	2,374,863	104,684	23,120	3,819	2,506,486	1,815	525,888	3,034,189	267,780	41	2,766,368
Overdue guarantee loans	-	-	-	-	-	-	3,765	3,765	-	-	3,765
Discounts and loans											
Consumer finance	88,535,794	42,291,881	20,657,009	2,930,474	154,415,158	331,607	134,205	154,880,970	63,497	1,656,388	153,161,085
Corporate banking	76,411,238	53,177,163	806,354	219,925	130,614,680	17,379	1,724,988	132,357,047	227,124	1,250,285	130,879,638

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	1,810,474	96,778	22,177	3,768	1,933,197	1,950	11,519	1,946,666	4,801	2,077	1,939,788
Overdue guarantee loans	-	-	-	-	-	-	3,079	3,079	-	-	3,079
Discounts and loans											
Consumer finance	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
Corporate banking	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

b) Credit quality analysis of securities

December 31, 2016	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	$ 30,660,942	$ 1,541,342	$ -	$ 32,202,284	$ -	$ -	$ 32,202,284	$ -	$ -	$ 32,202,284
Investments in stocks	5,311,930	242,846	-	5,554,776	-	-	5,554,776	-	-	5,554,776
Others	500,007	-	1,291,535	1,791,542	-	-	1,791,542	-	-	1,791,542
Held-to-maturity financial assets										
Investments in bonds	7,192,115	-	-	7,192,115	-	-	7,192,115	-	-	7,192,115
Other financial assets										
Investments in bonds	51,433,548	-	-	51,433,548	-	279,278	51,712,826	-	279,278	51,433,548
Investments in stocks	-	-	507,614	507,614	-	-	507,614	-	-	507,614

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

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, 2016			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit cards	$ 157,031	$ 43,815	$ -	$ 200,846
Others	1,118	697	-	1,815
Discounts and loans				
Consumer finance	247,672	83,935	-	331,607
Corporate banking	11,270	6,109	-	17,379

	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

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, 2016		December 31, 2015	
		Discounts and Loans	**Allowance for Doubtful Accounts**	**Discounts and Loans**	**Allowance for Doubtful Accounts**
With objective evidence of impairment	Assessment of individual impairment	$ 1,666,013	$ 201,768	$ 1,642,625	$ 190,588
	Assessment of collective impairment	310,587	88,853	264,011	56,511
With no objective evidence of impairment	Assessment of collective impairment	285,261,417	2,906,673	281,671,782	2,549,761

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

Receivables

Type of Impairment		December 31, 2016 Discounts and Loans	December 31, 2016 Allowance for Doubtful Accounts	December 31, 2015 Discounts and Loans	December 31, 2015 Allowance for Doubtful Accounts
With objective evidence of impairment	Individually assessed for impairment	$ 543,382	$ 265,653	$ 7,568	$ 3,364
	Collectively assessed for impairment	1,292,073	64,253	1,451,907	66,790
With no objective evidence of impairment	Collectively assessed	16,301,152	38,340	13,795,332	43,204

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

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) For maintaining solvency and meeting the needs of emergency assistance arrangements, the Bank holds cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets, and debt instruments with no active market, etc.

b) The Bank disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet dates. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the balance sheets.

i. The maturity analysis of financial liabilities

	December 31, 2016					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Call loans and due to banks	$ 5,194,014	$ 758,665	$ 1,036,650	$ 28,300	$ -	$ 7,017,629
Securities sold under repurchase agreements	28,239,364	589,823	44,950	-	-	28,874,137
Payables	5,202,637	926,228	573,736	164,487	22,162	6,889,250
Deposits and remittance	38,197,460	46,204,095	52,523,343	108,635,052	186,502,874	432,062,824
Bank Debentures	-	-	-	-	11,200,000	11,200,000
Other liabilities	29,531	384	577	1,153	87,727	119,372

	December 31, 2015					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Call loans and due to banks	$ 1,746,871	$ 346,540	$ 1,042,280	$ 28,300	$ -	$ 3,163,991
Securities sold under repurchase agreements	26,657,149	285,006	44,781	-	-	26,986,936
Payables	2,227,419	1,193,664	483,168	114,679	18,223	4,037,153
Deposits and remittance	33,534,421	42,911,683	68,683,111	113,340,860	163,275,951	421,746,026
Bank Debentures	-	-	-	900,000	8,700,000	9,600,000
Other liabilities	13,769	709	1,064	2,127	88,656	106,325

ii. The maturity analysis of derivatives financial liabilities - forward exchange contracts and currency swap contracts

	December 31, 2016					
	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	$ 3,058,981	$ 662,483	$ 421,300	$ 176,211	$ -	$ 4,318,975
Cash inflow	3,038,160	652,804	416,978	173,221	-	4,281,163
	20,821	9,679	4,322	2,990	-	37,812
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 20,821	$ 9,679	$ 4,322	$ 2,990	$ -	$ 37,812

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

iii. The maturity analysis of derivatives financial liabilities - option contracts

	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	$ (1,318)	$ (3,018)	$ (2,567)	$ (3,924)	$ -	$ (10,827)

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

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 2016 and 2015, 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 $(98,890) thousand and $192,597 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, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 2,600,794	32.279	$ 83,951,022
JPY	4,425,352	0.2757	1,220,070
GBP	2,149	39.6192	85,123
AUD	117,932	23.3087	2,748,838
HKD	125,055	4.1622	520,509
CAD	15,701	23.9281	375,698
CNY	468,192	4.6219	2,163,913
SGD	2,547	22.3075	56,808
ZAR	740,320	2.6379	1,952,854
CHF	1,229	31.5533	38,774
THB	507	0.9011	456
NZD	23,878	7.1955	171,814
EUR	26,141	33.9091	886,431

(Continued)

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
USD	$ 2,179,910	32.279	$ 70,365,313
JPY	7,577,941	0.2757	2,089,238
GBP	7,184	39.6192	284,610
AUD	117,806	23.3087	2,745,893
HKD	125,660	4.1622	523,027
CAD	15,758	23.9281	377,068
CNY	471,818	4.6219	2,180,670
SGD	2,611	22.3075	58,234
ZAR	739,785	2.6379	1,951,442
CHF	1,234	31.5533	38,941
NZD	23,918	7.1955	172,103
EUR	37,181	33.9091	1,206,766

(Concluded)

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 2,035,384	33.066	$ 67,302,005
JPY	4,601,991	0.2747	1,264,287
GBP	3,473	49.0501	170,371
AUD	97,214	24.1712	2,349,785
HKD	103,533	4.2664	441,715
CAD	14,106	23.8399	336,283
CNY	660,206	5.0326	3,322,531
SGD	2,114	23.4162	49,504
ZAR	671,410	2.1257	1,427,247
CHF	65	33.4304	2,172
THB	127	0.9162	116
NZD	23,922	22.6800	542,552
EUR	5,220	36.1478	188,697
Financial liabilities			
USD	1,706,941	33.066	56,441,712
JPY	8,049,966	0.2747	2,211,535
GBP	3,380	49.0501	165,784
AUD	96,993	24.1712	2,344,438
HKD	103,767	4.2664	442,714
CAD	14,101	23.8399	336,167
CNY	663,883	5.0326	3,341,036
SGD	2,194	23.4162	51,383
ZAR	670,084	2.1257	1,424,428
CHF	2,020	33.4304	67,526
NZD	23,923	22.6800	542,583
EUR	34,069	36.1478	1,231,525

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, 2016				
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	$ 7,054,785	$ 7,073,524	$ 7,054,785	$ 7,073,524	$ (18,739)
Available-for-sale financial assets Securities sold under repurchase agreements	14,636,448	13,634,152	14,636,448	13,634,152	1,002,296
Debt instruments with no active market Securities sold under repurchase agreements	10,163,828	8,166,461	10,438,839	8,166,461	2,272,378

	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, 2016						
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	$ 442,642	$ -	$ 442,642	$ 6,187	$ -	$ 436,455

December 31, 2016						
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	$ 38,430	$ -	$ 38,430	$ 1,639	$ -	$ 36,791

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

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, 2016 Own Capital Adequacy Ratio	December 31, 2016 Consolidated Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		$ 30,419,225	$ 29,751,735
	Other Tier 1 capital		1,664,565	2,378,925
	Tier 2 capital		6,851,336	9,629,432
	Eligible capital		38,935,126	41,760,092
Risk-weighted assets	Credit risk	Standard	248,206,553	258,443,901
		Internal rating-based approach	-	-
		Asset securitization	919,153	919,153
	Operational risk	Basic indicator approach	17,384,500	19,969,925
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	22,483,575	23,893,763
		Internal model approach	-	-
	Total risk-weighted assets		288,993,781	303,226,742
Capital adequacy rate			13.47%	13.77%
Ratio of common stockholders' equity to risk-weighted assets			10.53%	9.81%
Ratio of Tier 1 capital to risk-weighted assets			11.10%	10.60%
Leverage ratio			5.68%	5.57%

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

Items (Note 2) / Year			December 31, 2015 Own Capital Adequacy Ratio	December 31, 2015 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 Tier 1 capital to risk-weighted assets = (Common equity Tier 1 capital + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure Measurement

The Banking Law and related regulations require that the Bank maintain its unconsolidated and consolidated CARs at a minimum of 8.625%, the Tier 1 Capital Ratio at a minimum of 6.625% and the Common Equity Tier 1 Ratio at a minimum of 5.125%. 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 5.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2016			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group U - real estate development	$ 1,728,080	4.81
2	Company B - other financial intermediation	1,623,773	4.52
3	Company V - other telecommunications market	1,499,844	4.17
4	Group D - real estate development	1,495,115	4.16
5	Group H - retail of other food and beverages	1,248,800	3.47
6	Company T - real estate development	891,380	2.48
7	Company O - financial intermediation	865,000	2.41
8	Company T - real estate development	708,000	1.97
9	Group F - manufacture of chemical material	630,185	1.75
10	Company P - renting and leasing of other transport equipment	618,000	1.72

(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 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

b. Market risk

Interest Rate Sensitivity
December 31, 2016

(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	$ 303,648,998	$ 13,621,567	$ 16,719,210	$ 65,246,623	$ 399,236,398
Interest rate-sensitive liabilities	163,766,946	148,972,674	66,453,129	20,884,794	400,077,543
Interest rate-sensitive gap	139,882,052	(135,351,107)	(49,733,919)	44,361,829	(841,145)
Net worth					36,171,130
Ratio of interest rate-sensitive assets to liabilities					99.79%
Ratio of interest rate sensitivity gap to net worth					(2.33%)

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%)

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, 2016

(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	$ 89,734	$ 53,035	$ 118,086	$ 2,290,955	$ 2,551,810
Interest rate-sensitive liabilities	978,992	248,275	376,550	337,223	1,941,040
Interest rate-sensitive gap	(889,258)	(195,240)	(258,464)	1,953,732	610,770
Net worth					33,054
Ratio of interest rate-sensitive assets to liabilities					131.47%
Ratio of interest rate sensitivity gap to net worth					1,847.79%

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%

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, 2016	Year Ended December 31, 2015
Return on total assets	Before income tax	0.63	0.76
	After income tax	0.51	0.63
Return on equity	Before income tax	9.11	11.25
	After income tax	7.44	9.33
et income ratio		26.61	31.83

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, 2016 and 2015.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2016

(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	$ 437,112,956	$ 111,586,563	$ 28,350,870	$ 38,197,116	$ 74,328,205	$ 184,650,202
Main capital outflow on maturity	529,154,086	55,838,927	52,344,727	62,887,509	137,719,453	220,363,470
Gap	(92,041,130)	55,747,636	(23,993,857)	(24,690,393)	(63,391,248)	(35,713,268)

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)

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, 2016

(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	$ 2,734,149	$ 126,023	$ 91,909	$ 59,878	$ 115,787	$ 2,340,552
Main capital outflow on maturity	2,346,293	1,059,256	245,393	269,163	401,994	370,487
Gap	387,856	(933,233)	(153,484)	(209,285)	(286,207)	1,970,065

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

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: Table 3 (attached)

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

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

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: Table 4 (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 5 (attached)

12) Names, locations and other information of investees on which the Bank exercises significant influence: Table 6 (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.

UNION BANK OF TAIWAN

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	$ 1,622,862 (JPY 5,866,335)	$ 1,023,836 (JPY 3,713,588)	$ 1,622,862 (JPY 5,866,335)	1.50	Business transaction	$ 1,023,836	-	$ -	-	$ -	$ 2,604,833	$ 2,604,833
			Affiliates of receivable	214,138 (US$ 6,634)	214,138 (US$ 6,634)	214,138 (US$ 6,634)	1.50	Business transaction	214,138	-	-	-	-	2,604,833	2,604,833
2	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Affiliates of receivable	741,469 (JPY 2,689,404)	741,469 (JPY 2,689,404)	741,469 (JPY 2,689,404)	1.50	Business transaction	741,469	-	-	-	-	2,604,833	2,604,833
		Uflc Capital (Singapore) Holding Pte. Ltd.	Affiliates of receivable	1,503,861 (JPY 5,454,700)	1,503,861 (JPY 5,454,700)	1,503,861 (JPY 5,454,700)	1.50	Business transaction	1,503,861	-	-	-	-	2,604,833	2,604,833
			Affiliates of receivable	646 (US$ 20)	646 (US$ 20)	646 (US$ 20)	1.50	Business transaction	646	-	-	-	-	2,604,833	2,604,833
		Kabushiki Kaisha UCJ1 (Japan)	Affiliates of receivable	404,139 (JPY 1,465,865)	404,139 (JPY 1,465,865)	404,139 (JPY 1,465,865)	2.75	Business transaction	404,139	-	-	-	-	2,604,833	2,604,833
3	Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Affiliates of receivable	907,053 (JPY 3,290,000)	609,793 (JPY 2,211,800)	907,053 (JPY 3,290,000)	2.75	Business transaction	609,793	-	-	-	-	2,604,833	2,604,833

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(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, 2016				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	Stock							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	931	$ 8,361	0.06	$ 8,361	Note 4
	China Chemical Corporation	-	Available-for-sale financial assets	356	6,486	0.12	6,486	Note 4
	Hey-Song Corporation	-	Available-for-sale financial assets	4,486	144,898	1.12	144,898	Note 4
	CTBC Financial Holding Co., Ltd.	-	Available-for-sale financial assets	4,517	79,733	0.023	79,733	Note 4
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	509,596	100.00	509,596	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	85,166	100.00	85,166	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33	7,480	Note 1
	Beneficial certificates							
	Union Advantage Global FI Portfolio Fund	-	Available-for-sale financial assets	6,610	108,366		108,366	Note 4
	Union Golden Balance Fund	-	Available-for-sale financial assets	1,386	22,942		22,942	Note 4
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Unquoted equity instruments	2,646	23,411	14.70	28,981	Note 3
Union Securities Investment Trust Corporation (USITC)	Stock							
	Fundrish Securities Co., Ltd.	-	Unquoted equity instruments	330	3,300	0.94	2,673	Note 2
	Beneficial certificates							
	Union Advantage Global FI Portfolio Fund	-	Financial assets at fair value through profit or loss	1,068	17,504		17,504	Note 4
	Union Emerging Asia Bond A	-	Financial assets at fair value through profit or loss	486	5,560		5,560	Note 4
	Union Money Market	-	Financial assets at fair value through profit or loss	1,459	19,092		19,092	Note 4
	Union Golden Balance Fund	-	Financial assets at fair value through profit or loss	575	9,526		9,526	Note 4
	Union Emerg Res-rich Countries HYBd A	-	Financial assets at fair value through profit or loss	800	8,728		8,728	Note 4
	Union China	-	Financial assets at fair value through profit or loss	1,006	18,151		18,151	Note 4
	Union Technology Fund	-	Financial assets at fair value through profit or loss	1,460	12,819		12,819	Note 4
	Union APEC Balanced A	-	Financial assets at fair value through profit or loss	1,001	11,301		11,301	Note 4
	Union Global ETF Fund	-	Financial assets at fair value through profit or loss	513	5,026		5,026	Note 4
	Union Asian High Yield Bond A		Financial assets at fair value through profit or loss	1,451	15,056		15,056	Note 4
Union Finance International (HK) Limited	Bond							
	HBOS Capital Funding LP	-	Available-for-sale financial assets	900 units	US$ 909		US$ 909	Note 4

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Stock							
	ING Group N.V.	-	Available-for-sale financial assets	33	US$ 844		US$ 844	Note 4
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	17	US$ 2,016		US$ 2,016	Note 4
	Merck & Co., Inc.	-	Financial assets at fair value through profit or loss	12	US$ 689		US$ 689	Note 4
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US$ 406		US$ 406	Note 4
	Penn West Energy	-	Financial assets at fair value through profit or loss	119	US$ 211		US$ 211	Note 4
New Asian Ventures Ltd.	Stock							
	Grace T.H.W. Holding Limited	-	Unquoted equity instruments	1,667	$ 64,320	0.74	US$ 2,335	Note 2
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Subsidiary	Equity investment - equity method	-	JPY 2,705	100.00	JPY 2,705	Note 5
	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	Equity investment - equity method	-	JPY 3,767	100.00	JPY 3,767	Note 5
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	Subsidiary	Equity investment - equity method	9	JPY 463,212	30.55	JPY 463,212	Note 5
	Tokutei Mokuteki Kaisha SSG15	Subsidiary	Equity investment - equity method	Note 7	JPY 751,077	49.00	JPY 751,077	Note 5
Kabushiki Kaisha UCJ1	Tokutei Mokuteki Kaisha SSG15	Subsidiary	Equity investment - equity method	Preferred stock 15	JPY 781,681	51.00	JPY 781,681	Note 5
	Tokutei Mokuteki Kaisha SSG12	Subsidiary	Equity investment - equity method	Note 9	JPY 998,201	51.00	JPY 998,201	Note 5
	Tokutei Mokuteki Kaisha SSG16	Subsidiary	Equity investment - equity method	Preferred stock 26	JPY 1,295,762	51.00	JPY 1,295,762	Note 5
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	Subsidiary	Equity investment - equity method	21	JPY 1,053,097	69.45	JPY 1,053,097	Note 5
	Tokutei Mokuteki Kaisha SSG12	Subsidiary	Equity investment - equity method	Note 8	JPY 959,107	49.00	JPY 959,107	Note 5
	Tokutei Mokuteki Kaisha SSG16	Subsidiary	Equity investment - equity method	Note 6	JPY 1,244,999	49.00	JPY 1,244,999	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, 2015.
b. New Asian Ventures Ltd. and Union Capital (Cayman) Corp. - the audited statements of stockholders' equity as of December 31, 2016.

Note 2: Union Securities Investment Trust. Corporation (USITC):

Fundrish Securities Co., Ltd. - the audited statements of stockholders' equity as of December 31, 2016.

New Asian Ventures Ltd.:

Grace T.H.W. Holding Limited - unaudited statements of stockholders' equity as of December 31, 2016.

Note 3: Union Information Technology Corporation:

ELTA Technology Co., Ltd. - unaudited statements of stockholders' equity as of December 31, 2016.

(Continued)

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., Uflc Capital (Singapore) Holding Pte. Ltd. and Tokutei Mokuteki Kaisha SSG15 - the audited statements of stockholders' equity as of September 30, 2016.

Kabushiki Kaisha UCJ1, Tokutei Mokuteki Kaisha SSG12 and Tokutei Mokuteki Kaisha SSG16 - unaudited statements of stockholders' equity as of September 30, 2016.

Note 6: Common stock 1 shares and preferred stock 25 thousand shares.

Note 7: Common stock 1 shares and preferred stock 14 thousand shares.

Note 8: Common stock 1 shares and preferred stock 19 thousand shares.

Note 9: Preferred stock 20 thousand shares.

(Concluded)

UNION BANK OF TAIWAN

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference (Note 1)	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Tokutei Mokuteki Kaisha SSG12	Investment property - land and building	2016.1.29	JPY 3,753,600	JPY 3,753,600	サンフロンティア不動産株式会社	Non-related	Disapply	Disapply	Disapply	$ -	By appraisal report	Operating lease assets	Note 2
Tokutei Mokuteki Kaisha SSG16	Investment property - land and building	2016.3.30	JPY 2,402,845	JPY 2,402,845	Kasama Tekkou Kabushiki Kaisha	Non-related	Disapply	Disapply	Disapply	-	By appraisal report	Operating lease assets	Note 2
Union Bank of Taiwan	Property - land	2016.8.5	423,916	423,916	New Taipei City Government	Non-related	Disapply	Disapply	Disapply	-	Bid	Construct business office	-

Note 1: The appraisal amount of the investment property of Tokutei Mokuteki Kaisha SSG12 and Tokutei Mokuteki Kaisha SSG16 was JPY4,000,000 thousand and JPY2,790,000 thousand respectively, based on the valuations made by independent qualified professional appraisers.

Note 2: In a real estate securitized preferred stock issued by Tokutei Mokuteki Kaisha SSG12 and Tokutei Mokuteki Kaisha SSG16, Kabushiki Kaisha UCJ1 and Uflc Capital (Singapore) Holding Pte. Ltd. (both owned by Union Capital (Cayman) Corp.) invested.

TABLE 4

UNION BANK OF TAIWAN

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(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	$ 1,237,974 (JPY 3,713,588) (US$ 6,634)	-	$ -	-	$ -	$ -
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Subsidiary	741,469 (JPY 2,689,404)	-	-	-	-	-
	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	1,504,507 (JPY 5,454,700) (US$ 20)	-	-	-	-	-
	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	404,139 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	609,793 (JPY 2,211,800)	-	-	-	-	-

UNION BANK OF TAIWAN

ASSET QUALITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2016				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 94,244	$ 75,045,075	0.13%	$ 1,276,561	1,056.99%
	Unsecured		26,529	57,311,972	0.05%		
Consumer banking	Housing mortgage (Note 4)		57,784	122,449,989	0.05%	1,543,728	2,671.55%
	Cash card		1,047	60,542	1.73%	2,579	246.32%
	Small scale credit loans (Note 5)		64,924	13,535,125	0.48%	167,511	258.01%
	Other (Note 6)	Secured	28,153	15,998,751	0.18%	206,915	713.04%
		Unsecured	866	2,836,563	0.03%		
Loan			273,547	287,238,017	0.10%	3,197,294	1,168.83%
			Nonperforming Receivable (Note 1)	Receivable	Ratio of Nonperforming Receivable	Allowance for Possible Losses	Coverage Ratio
Credit cards			40,754	13,959,135	0.29%	98,445	241.56%
Accounts receivable factored without recourse			-	799,844	0.00%	3,504	-

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

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

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

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

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

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

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

Not reported as nonperforming loans or nonperforming receivables

Items / Types	December 31, 2016	
	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)	$ 56,493	$ 234,830
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	67,968	798,500
Total	124,461	1,033,330

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

(Concluded)

UNION BANK OF TAIWAN

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees				Note
						Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (Thousands)	Percentage of Ownership (%)	
Financial-related										
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	$ 2,604,833	$ 143,194	105,000	-	105,000	100.00	Note 3
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	72,936	2,934	30,000	-	30,000	99.99	Note 3
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00	144,920	13,593	10,500	-	10,500	35.00	Note 3
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99	34,753	13,842	1,000	-	1,000	99.99	Note 3
Ipass Corporation	Kaohsiung	IC card	16.25	123,320	-	13,000	-	13,000	16.25	
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	0.25	13,916	-	878	-	878	0.25	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	71,250	-	6,235	-	6,235	2.04	
Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	6,000	-	600	-	600	1.00	
Nonfinancial-related										
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	53,447	(347)	2,000	-	2,000	40.00	Note 3
Fu Hua Venture Corporation	Taipei	Investments	5.00	9,852	-	990	-	990	5.00	
Li Yu Venture Corporation	Taipei	Investment	4.76	5,837	-	607	-	607	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, 2016.

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.

Union Bank of Taiwan and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

UNION BANK OF TAIWAN

By:

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March 22, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

Opinion

We have audited the accompanying consolidated financial statements of Union Bank of Taiwan (the Bank) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2016 are described as follows:

Accuracy of Interest Revenue Recognition of Discounts and Loans

For the year ended 2016, the amount of interest revenue of discounts and loans is $6,143,904 thousand, representing approximately 51% of total net revenue, and is considered material to the financial statements as a whole. Refer to Note 33. Therefore, we consider the accuracy of the recognition thereof to be a key audit matter for the year ended December 31, 2016.

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

1. Understanding the design of the Company's computerized information system and General IT Control, test its operating effectiveness in order to determine the effectiveness of controls over the relevant application system and the information generated.

2. Understanding the design of the application system for recognition of commercial loans discount and interest revenue. Perform operating effectiveness testing of relevant automated controls in the application system.

3. Determine and verify the material classification of loans. Verify if there is any difference in the balance of loans generated by information system and carrying amount on per book.

4. Testing and assessing the accuracy of interest revenue generated by information system. Verify if there is any difference in the balance of loans generated by information system and carrying amount on per book.

Possible Impairments on Discounts and Loans

As of December 31, 2016, the net amount of discounts and loans of the Company is $282,416,950 thousand, representing approximately 53% of total consolidated assets, and is considered material to the financial statements as a whole. Refer to Note 11. The Company's management performs loan impairment assessment involving critical judgements such as accounting estimates and assumptions; therefore, we determined allowances for possible losses on discounts and loans to be a key audit matter for the year ended December 31, 2016.

The Company's management performs loan impairment assessment through reviewing portfolios of loans periodically, and makes a judgement on whether to recognize impairment losses per observable evidence indicating the probable occurrence of impairment events. The amount of impairment losses is the difference between the asset's carrying amount and the present value of the estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate. In addition, the allowance provision must comply with relevant regulations issued by the authorities.

For the accounting policies and relevant information on loan impairment assessment, refer to Notes 4, 5 and 12 to the financial statements.

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

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Bank's loan impairment assessment.

2. Sample individually impairment assessed loans by:

   - Verifying the accuracy of the balance of loans.

   - Considering the payment of principal and interest, in order to assess that the classification of credit assets have complied with relevant regulations issued by the authorities.

   - Assessing the assumptions used to estimate future cash flows and the reasonableness of the value of collateral.

3. Sample collectively impairment assessed loans by:

   - Obtaining an understanding of the reasonableness regarding the classification of collectively assessed loans.

   - Obtaining an understanding of and performing test on the assumptions of critical factors of collectively assessed loans, including the possibility of the impairment and the recoverability of loan balances, used in the impairment assessment model to verify whether the real outcome of each loan portfolio can be reflected.

   - Recalculating the impairment to confirm its adequacy and accuracy.

4. Test the classification of credit assets in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by the authorities.

Other Matter

We have also audited the financial statements of Union Bank of Taiwan as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

Notice to Readers

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

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 10,971,118	2	$ 8,346,755	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	54,414,461	10	63,312,965	12
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	9,538,090	2	9,058,815	2
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	27,855,242	5	22,072,191	4
RECEIVABLES, NET (Notes 4, 5, 10 and 12)	17,888,230	3	15,217,776	3
CURRENT TAX ASSETS (Note 4)	186,231	-	322,660	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11, 12 and 43)	282,416,950	53	278,801,052	55
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 5, 13 and 43)	39,978,425	8	23,319,718	5
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4 and 14)	7,192,115	1	4,207,436	1
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 16)	53,447	-	53,794	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 17 and 44)	57,403,743	11	61,133,831	12
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	8,156,305	2	7,723,438	2
INVESTMENT PROPERTIES, NET (Notes 4, 19 and 27)	5,415,376	1	3,703,410	1
INTANGIBLE ASSETS (Notes 4, 5 and 20)				
Goodwill	1,985,307	-	1,985,307	-
Computer software	182,423	-	158,933	-
Total intangible assets	2,167,730	-	2,144,240	-
DEFERRED TAX ASSETS (Notes 4 and 41)	1,447,039	-	1,886,538	-
OTHER ASSETS, NET (Notes 4, 21, 43 and 45)	7,622,068	2	7,184,578	1
TOTAL	$ 532,706,570	100	$ 508,489,197	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and call loans to other banks (Note 22)	$ 8,389,312	2	$ 3,781,976	1
Financial liabilities at fair value through profit or loss (Notes 4, 5 and 8)	39,523	-	54,271	-
Securities sold under agreements to repurchase (Notes 4 and 23)	28,874,137	5	26,986,936	5
Accounts payable (Note 24)	6,981,464	1	4,061,998	1
Current tax liabilities (Note 4)	97,549	-	49,618	-
Deposits and remittances (Notes 25 and 43)	431,618,915	81	421,018,106	83
Bank debentures (Note 26)	11,200,000	2	9,600,000	2
Bonds payable (Note 27)	1,135,884	-	604,397	-
Other financial liabilities (Note 28)	4,235,138	1	2,679,438	1
Provisions (Notes 4, 5, 29 and 30)	189,572	-	1,044,534	-
Deferred tax liabilities (Notes 4 and 41)	834,410	-	881,731	-
Other liabilities (Notes 31 and 45)	2,892,210	1	2,575,775	-
Total liabilities	496,488,114	93	473,338,780	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock				
Common stock	26,051,524	5	26,051,524	5
Capital surplus	32,413	-	32,413	-
Retained earnings				
Legal reserve	4,374,367	1	3,450,907	1
Special reserve	558,842	-	558,842	-
Unappropriated earnings	3,740,039	1	3,078,201	1
Total retained earnings	8,673,248	2	7,087,950	2
Other equity	1,192,131	-	1,718,277	-
Total equity attributable to owners of the Bank	35,949,316	7	34,890,164	7
NON-CONTROLLING INTERESTS	269,140	-	260,253	-
Total equity	36,218,456	7	35,150,417	7
TOTAL	$ 532,706,570	100	$ 508,489,197	100

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST (Notes 33 and 43)					
Interest revenues	$ 10,014,337	83	$ 10,098,167	86	(1)
Interest expenses	3,709,965	31	4,013,743	34	(8)
Net interest	6,304,372	52	6,084,424	52	4
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 34 and 43)	2,423,489	20	2,279,396	19	6
Gain on financial assets and liabilities at fair value through profit or loss, net (Note 35)	382,758	3	412,352	4	(7)
Realized gain from available-for-sale financial assets, net (Note 36)	461,840	4	254,628	2	81
Foreign exchange gain (loss) , net	(16,025)	-	491,070	4	(103)
Loss from asset impairment, net (Note 37)	(49,283)	-	(104,843)	(1)	(53)
Share of loss of associates (Notes 4 and 16)	(347)	-	(389)	-	(11)
Gain on financial assets measured at cost, net	68,135	-	52,905	1	29
Securities brokerage fee revenues, net (Note 43)	198,476	2	186,851	2	6
Rental revenue	2,140,487	18	2,037,214	17	5
Other noninterest net gain	97,758	1	47,114	-	107
TOTAL NET REVENUES	12,011,660	100	11,740,722	100	2
PROVISIONS (Note 12)					
Provision (reversal) of allowance for doubtful accounts	171,542	2	(113,942)	(1)	251
OPERATING EXPENSES					
Employee benefit expenses (Notes 4, 30 and 38)	3,345,749	28	3,162,423	27	6
Depreciation and amortization (Note 39)	1,820,860	15	1,707,178	14	7
Others (Notes 40 and 43)	3,362,722	28	3,144,799	27	7
Total operating expenses	8,529,331	71	8,014,400	68	6

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INCOME BEFORE INCOME TAX	3,310,787	27	3,840,264	33	(14)
INCOME TAX EXPENSE (Notes 4 and 41)	649,166	5	701,340	6	(7)
CONSOLIDATED NET INCOME	2,661,621	22	3,138,924	27	(15)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 30)	(11,073)	-	(60,856)	(1)	(82)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 41)	1,883	-	10,346	-	(82)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(558,033)	(5)	115,969	1	(581)
Unrealized gain on available-for-sale financial assets	(39,870)	-	347,896	3	(111)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 41)	71,757	1	(114,488)	(1)	163
Other comprehensive income for the year, net of income tax	(535,336)	(4)	298,867	2	(279)
TOTAL COMPREHENSIVE INCOME	$ 2,126,285	18	$ 3,437,791	29	(38)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 2,636,375	22	$ 3,120,902	27	(16)
Non-controlling interests	25,246	-	18,022	-	40
	$ 2,661,621	22	$ 3,138,924	27	(15)

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 2,101,213	18	$ 3,419,774	29	(39)
Non-controlling interests	25,072	-	18,017	-	39
	$ 2,126,285	18	$ 3,437,791	29	(38)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 42)					
Basic	$1.01		$1.20		
Diluted	$1.01		$1.19		

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable Owners of the Company											
							Other Equity					
	Capital Stock (Note 32)		Retained Earnings (Notes 4 and 32)				Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations				
	Common Stock	Share Capital (Note 32)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total			Total	Total	Non-controlling Interests (Note 32)	Total Equity
BALANCE AT JANUARY 1, 2015	$ 24,509,306	$ 33,006	$ 2,522,768	$ 558,842	$ 3,045,300	$ 6,126,910	$ 1,029,647	$ 339,253	$ 1,368,900	$ 32,038,122	$ 268,951	$ 32,307,073
Appropriation of the 2014 earnings												
Legal reserve	-	-	928,139	-	(928,139)	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	(637,242)	(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	18,022	3,138,924
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(50,505)	(50,505)	272,581	76,796	349,377	298,872	(5)	298,867
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	(26,715)	(26,715)
Share-based payment	71,660	(593)	-	-	(1,557)	(1,557)	-	-	-	69,510	-	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	260,253	35,150,417
Appropriation of the 2015 earnings												
Legal reserve	-	-	923,460	-	(923,460)	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	(1,042,061)	-	(1,042,061)
Net income for the year ended December 31, 2016	-	-	-	-	2,636,375	2,636,375	-	-	-	2,636,375	25,246	2,661,621
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(9,016)	(9,016)	(29,920)	(496,226)	(526,146)	(535,162)	(174)	(535,336)
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	(16,185)	(16,185)
BALANCE AT DECEMBER 31, 2016	$ 26,051,524	$ 32,413	$ 4,374,367	$ 558,842	$ 3,740,039	$ 8,673,248	$ 1,272,308	$ (80,177)	$ 1,192,131	$ 35,949,316	$ 269,140	$ 36,218,456

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,310,787	$ 3,840,264
Adjustments for:		
Depreciation expenses	1,760,952	1,659,953
Amortization expenses	59,908	47,225
Provision (reversal) of allowance for doubtful accounts	171,542	(113,942)
Gain on disposal of financial assets designated as at fair value through profit or loss	(382,758)	(412,352)
Interest expenses	3,709,965	4,013,743
Interest revenues	(10,014,337)	(10,098,167)
Dividend income	(220,255)	(236,354)
Share of loss of associates	347	389
Gain on disposal of properties and equipment	(27,242)	(27,504)
Gain on disposal of investments	(299,132)	(72,681)
Impairment loss recognized on financial assets	50,000	120,000
Reversal of impairment losses on nonfinancial assets	(717)	(15,157)
Loss (gain) on disposal of collaterals	241	(6,593)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,496)	1,947,488
Financial assets at fair value through profit or loss	142,775	10,194,787
Accounts receivable	(2,779,464)	(134,478)
Discounts and loans	(3,746,390)	(23,070,382)
Available-for-sale financial assets	(16,399,445)	(8,929,244)
Held-to maturity financial assets	(2,957,960)	(3,660,871)
Other financial assets	3,809,276	(4,453,808)
Due to the Central Bank and other banks	4,607,336	(2,966,823)
Financial liabilities at fair value through profit or loss	(259,375)	(389,630)
Securities sold under repurchase agreements	1,887,201	(4,804,340)
Accounts payable	2,895,895	(1,563,426)
Deposits	10,600,809	25,165,702
Other financial liabilities	(843)	1,480
Provisions for employee benefits	(806,649)	(271)
Cash used in operations	(4,889,029)	(13,964,992)
Interest received	9,874,024	10,045,816
Dividends received	225,590	241,941
Interest paid	(3,686,394)	(3,992,082)
Income tax returned (paid)	1,012	(60,933)
Net cash generated from (used in) operating activities	1,525,203	(7,730,250)

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (735,637)	$ (147,896)
Proceeds of the disposal of properties and equipment	416	775
Payments for investment properties	(1,741,278)	(2,954)
Increase in settlement fund	(20,334)	-
Decrease in settlement fund	-	24,443
Increase in refundable deposits	-	(198,979)
Decrease in refundable deposits	225,554	-
Payments for intangible assets	(28,298)	(82,294)
Proceeds of the disposal of collaterals	476	21,750
Increase in other assets	(2,095,105)	(1,949,914)
Net cash used in investing activities	(4,394,206)	(2,335,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper	1,556,543	160,782
Proceeds of the issue of bonds payable	529,344	604,397
Proceeds of the issue of bank debentures	2,500,000	2,200,000
Repayments of bank debentures	(900,000)	-
Increase in guarantee deposits received	250,255	104,727
Increase in other liabilities	59,160	34,125
Dividends paid to non-controlling interests	(16,185)	(26,715)
Cash dividends paid	(1,042,061)	(637,242)
Net cash generated from financing activities	2,937,056	2,440,074
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(560,639)	82,656
NET DECREASE IN CASH AND CASH EQUIVALENTS	(492,586)	(7,542,589)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	78,518,946	86,061,535
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 78,026,360	$ 78,518,946

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

Reconciliation of the cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of December 31, 2016 and 2015:

	December 31	
	2016	**2015**
Cash and cash equivalents in the consolidated balance sheets	$ 10,971,118	$ 8,346,755
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"	39,200,000	48,100,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	27,855,242	22,072,191
Cash and cash equivalents in consolidated statements of cash flows	$ 78,026,360	$ 78,518,946

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

1. GENERAL INFORMATION

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

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

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

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

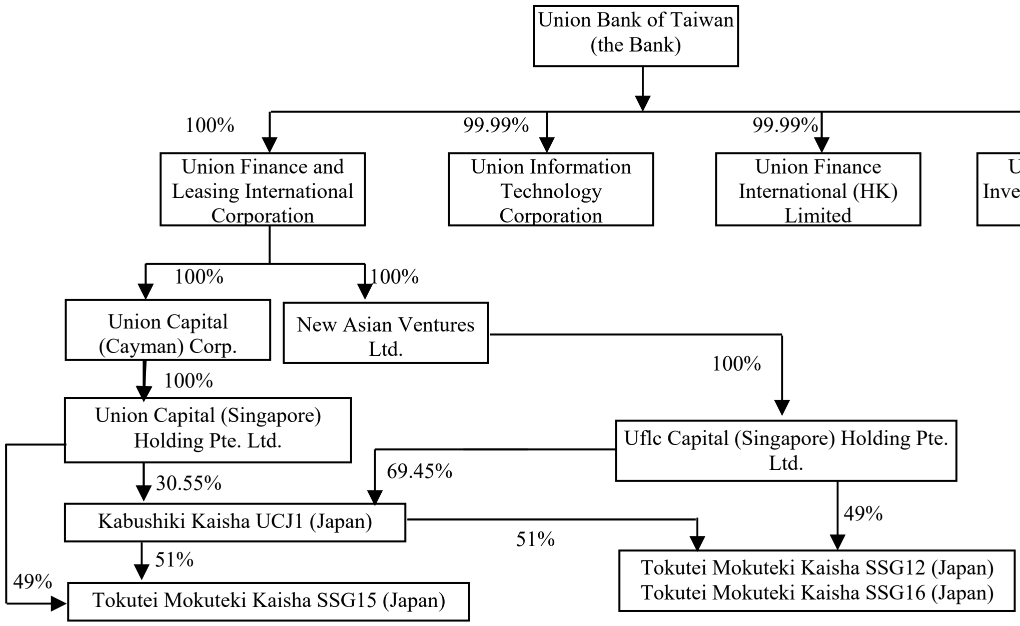
On August 26, 2016, the board of directors of the Bank resolved to merge Union Insurance Broker Company in order to integrate the resources, strengthen management and business synergy. The merger is approved by the FSC (Rule No. 10502022990). The effective date of this merger is August 1, 2016.

As of December 31, 2016, 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 following chart presents the relationship between the Bank and its subsidiaries (collectively, the Company) and percentage of ownership as of December 31, 2016:



Union Finance and Leasing International Corporation (UFLIC) was established under the Company law on November 11, 1996. UFLIC trades and leases real estates, motor vehicles and machinery and equipment and does accounts receivable factoring. UFLIC holds 100% equity interests each in Union Capital (Cayman) Corp. and New Asian Ventures Ltd., which were incorporated in the British West Indies and the British Virgin Islands, respectively, in July 1997 and October 1997, respectively; these investees mainly engage in financial investment.

Union Capital (Singapore) Holding Pte. Ltd. and Uflc Capital (Singapore) Holding PTE. Ltd. were established in September, 2014 and March, 2016 by Union Capital (Cayman) Corp. It mainly engages business of investments, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.

Kabushiki Kaisha UCJ1 (limited corp.) mainly buys, sells, and leases real estate.

Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 is a special purpose entity that securitizes real estate.

Union Finance International (HK) Limited was incorporated in Hong Kong in April 23, 1996. It mainly engages in financial services and financial investments.

Union Information Technology Corporation (UIT), which was incorporated on August 10, 1998, mainly renders software services, wholesales and retails information software and telecommunications equipment, does enterprise management consulting, etc.

Union Securities Investment Trust Corporation (USITC) was incorporated on November 20, 1998. It obtained a securities investment trust enterprise license and started operations on February 26, 1999; it mainly establishes securities investment trust funds by issuing beneficial certificates.

The Company’s consolidated financial statements are presented in the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 22, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the 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)
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
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
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

Note 1: Unless stated otherwise, the above New or amended 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 in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks would not have any material impact on the Company's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within (Level 2/Level 3), the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) IFRIC 21 "Levies"

   IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Company accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

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 Company or another entity in the same group or the market price of the equity instruments of the group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company 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 Company, but also of other entities outside the Company. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

   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 amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

   The amended IFRS 8 requires the Company 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. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured 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 Company is a related party of the Company. Consequently, the Company 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. When the amendment becomes effective in 2017, Company which provides key management personnel services to the Company will be treated retrospectively as a related party and disclosed accordingly.

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 amendment will be applied prospectively starting from January 1, 2017.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a Company 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 those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. The Company entered into (crude oil) purchase contracts that could be settled net in cash. When the amended IFRS 13 becomes effective in 2017, the Company will elect to measure the fair value of those contracts on a net basis retrospectively.

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. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

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" stipulates 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” clarifies 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.

6) 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 Company) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

7) Amendments to IFRS 10, IFRS 12 and IAS 28 “'Investment Entities: Applying the Consolidation Exception”

The amendments clarified that when the Company (non-investment entity) applies the equity method to an associate or a joint venture that is an investment entity, the Company may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Prior to the amendments, the associate or joint venture measures its interest in subsidiaries at fair value but the fair value is unwound, and instead, those subsidiaries are consolidated in the associate’s or joint venture’s result in order to be equity-accounted by the Company. When the amendments become effective, the Company will elect to retain the measurement applied by the associate or joint venture to its interest in subsidiaries.

8) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

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

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

The FSC announced that IFRS 9 and IFRS 15 will take effect 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 IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
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 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company'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 Company'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 Company 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 Company 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

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, 2018.

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 contract; and
- Recognize revenue when the entity satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

Under IFRS 15, the Company will allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. Under current standard, the Company applies residual value method to allocate the amount of revenue to be recognized.

Incremental costs of obtaining a contract will be recognized as an asset to the extent the Company expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

When IFRS 15 and related amendment are 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.

3) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

4) 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 Company 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 Company 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 consolidated statements of comprehensive income, the Company 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 consolidated 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 Company as lessor.

When IFRS 16 becomes effective, the Company 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.

5) Amendment 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 Company 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 Company 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 as 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 Company's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

6) Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

The amendment requires that market condition and non-vesting condition should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. This amendment applies to share-based payment transactions that are unvested at the date the Company first applies the amendment and to share-based payment transactions with a grant date on or after the date the Company first applies the amendment.

The amendment also requires that if a cash-settled share-based payment transaction is modified with the result that it becomes an equity-settled share-based payment transaction, the Company should recognize in equity the fair value of the equity instruments granted at the modification date to the extent of the goods or services received. The difference between the carrying amount of the liability on cash-settled share-based payment transaction derecognized and the amount of equity recognized on the modification date is recognized in profit or loss. This amendment applies only to modifications that occur on or after the date the Company first applies the amendment.

The amendment states that when the Company withholds the number of equity instruments equal to the monetary value of tax obligation to fund the withholding tax, the share-based payment has a net settlement feature. Such transaction should be classified in its entirety as equity-settled share-based payment transaction if it would have been so classified in the absence of the net settlement feature. This amendment applies to share-based payment transactions that are unvested or vested but unexercised at the date the Company first applies the amendment and to share-based payment transactions with a grant date on or after the date the Company first applies the amendments.

7) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The amendment to IFRS 12 clarified that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal Company that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5.

The amendment to IAS 28 clarified that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, or a unit trust or similar entities (including investment-linked insurance funds), the Company may elect to measure that investment at fair value through profit or loss. The Company shall make this election separately for each associate or joint venture at the initial recognition of the associate or joint venture.

Furthermore, the amendment to IAS 28 clarified that when the Company (non-investment entity) applies the equity method to account for investment in an associate or a joint venture that is an investment entity, the Company may elect to retain the fair value of the investment in subsidiaries of the investment entity associate or joint venture. The election should be made separately for each investment entity associate or joint venture, at the later of the date (a) the investment entity associate or joint venture is initially recognized, (b) the associate or joint venture becomes an investment entity, or (c) the investment entity associate or joint venture first becomes a parent.

The Company shall apply the aforementioned amendments retrospectively.

8) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Company may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Company is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Company may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

9) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRSs as endorsed by the FSC.

Basis of Preparation

The consolidated 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.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

Since the operating cycle cannot be reasonably identified in the banking industry and the Bank accounted for a significant percentage of the consolidated accounts, the accounts included in the consolidated financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 46 for the maturity analysis of assets and liabilities.

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries, including special purpose entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Company.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

b. The investees included in the consolidated financial statements are as follows:

Detail of subsidiaries, percentage of ownership and operating item, please refer to the Note 15.

Business Combinations

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

Foreign Currencies

In preparing the financial statements of each Company 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 except for: Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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 consolidated 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 Company and non-controlling interests as appropriate).

Investments in Associates

An associate is an entity over which the Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

When the Company 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 Company's proportionate interest in the associate. The Company records this difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the Company'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 Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal or constructive obligations, or made payments, on behalf of that associate.

Any excess of cost of acquisition over the Company'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 Company'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 is deducted from 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 Company 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 Company 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 Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company' financial statements only to the extent of the interests in the associate that are not related to the Company.

Financial Instruments

Financial assets and financial liabilities are recognized when a Company 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.

<u>Financial assets</u>

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 Company'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 47.

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 Company 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 Company 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 Company 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 47.

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 Company'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 uncollectable, 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 uncollectable trade receivables and other receivables that are written off against the allowance account.

c. Derecognition of financial assets

The Company 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 a company 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 Company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company'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 Company'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 Company'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 47.

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 Company derecognizes financial liabilities when, and only when, the Company'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 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 collectability 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 collectability.

The MOF regulations also require the grouping of loans into these five classes: Normal, special mention, substandard, with doubtful collectability and uncollectable; 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 uncollectable 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 accumulated depreciation and 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 Company 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.

For a contract where an owner of land provides land for construction of buildings by a property developer in exchange for a certain percentage of the buildings, exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as property, plant and equipment and the exchange transaction has commercial substance.

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.

Investment Properties

Investment properties are properties owned specifically to generate profit through rental income and/or capital gains. Land for which the future purpose of use has not been decided is also classified under investment properties.

Investment properties are initially recognized at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation by the straight-line method.

Gain or loss recognized on derecognition of an investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the investment property is derecognized.

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 Company 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 Company 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 Company 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 Company 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 Company 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 on 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. Company 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. Company as lessee

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

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

Provisions

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

   Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company'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.

c. Other long-term employee benefits

   Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that remeasurement is recognized in profit or loss.

d. Termination benefits

   A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

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 Company 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 Company 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.

Interest Revenue and Service Fees

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying consolidated financial statements on loans and other credits extended by the Company 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 Company'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 Company 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 Company 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 Company'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 47 to the financial statements.

d. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	$ 5,818,152	$ 5,840,640
Checks for clearing	3,563,014	1,335,777
Due from banks	1,589,952	1,170,338
	$ 10,971,118	$ 8,346,755

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2016	2015
Deposit reserve - checking account	$ 3,985,664	$ 4,410,194
Required deposit reserve	11,164,239	10,746,559
Deposit reserve - foreign-currency deposits	64,558	56,212
Deposit account in Central Bank	39,200,000	48,100,000
	$ 54,414,461	$ 63,312,965

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets held for trading		
Commercial paper	$ 8,300,747	$ 5,974,371
Government bonds	151,223	153,772
Quoted stocks	192,085	434,865
Mutual funds	128,425	204,354
	8,772,480	6,767,362
Derivative instruments		
Forward exchange contracts	418,515	337,231
Currency swap contracts	15,982	25,832
Option contracts	8,145	24,194
	442,642	387,257
	9,215,122	7,154,619

(Continued)

	December 31	
	2016	2015
Financial assets designated as at fair value through profit or loss		
Corporate bonds	$ -	$ 1,076,321
Principal guaranteed notes	322,968	827,875
	322,968	1,904,196
	$ 9,538,090	$ 9,058,815
Financial liabilities held for trading		
Derivative instrument		
Option contracts	$ 8,135	$ 24,190
Forward exchange contracts	23,924	23,115
Currency swap contracts	7,464	6,966
	$ 39,523	$ 54,271

The Company engaged in derivative transactions mainly to accommodate customers' needs and manage its exposure positions. The financial risk management objective of the Company 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, 2016 and 2015 were as follows:

	December 31	
	2016	2015
Currency swap contracts	$ 11,133,826	$ 21,330,781
Forward exchange contracts	3,090,128	3,363,668
Option contracts		
Buy	1,684,467	2,535,670
Sell	1,684,467	2,535,670

As of December 31, 2016 and 2015, financial instruments at fair value through profit and loss in the amount of $7,054,785 thousand and $5,080,161 thousand were under repurchase agreements.

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2016	2015
Commercial paper	$ 14,877,255	$ 11,370,078
Corporate bonds	12,037,280	10,258,390
Government bonds	940,707	443,723
	$ 27,855,242	$ 22,072,191
Date of the resell agreement	2017.01-2017.02	2016.01-2016.03
Amount of the resell	$ 27,862,410	$ 22,082,685

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

10. RECEIVABLES, NET

	December 31	
	2016	2015
Notes and accounts receivable	$ 14,489,307	$ 13,195,271
Interest receivable	832,465	685,131
Interbank clearing fund receivable	800,493	800,426
Accounts receivable factoring without recourse	799,844	-
Redemption of convertible bond receivable	513,962	-
Investment receivable	438,998	181,140
Acceptances receivable	135,531	116,920
Collections receivable	68,197	59,444
Others	177,679	292,802
	18,256,476	15,331,134
Less: Allowance for doubtful accounts	368,246	113,358
	$ 17,888,230	$ 15,217,776

Please refer to Note 48 for the impairment loss analysis of receivables.

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

11. DISCOUNTS AND LOANS, NET

	December 31	
	2016	2015
Discounts and overdraft	$ 43,283	$ 739,306
Accounts receivable - financing	29,690	37,911
Loans		
Short-term - unsecured	48,432,945	51,296,167
- secured	53,347,371	51,265,949
Medium-term - unsecured	15,783,090	14,731,841
- secured	45,771,509	45,023,115
Long-term - unsecured	4,792,014	4,345,031
- secured	117,212,237	114,030,495
Import and export negotiations	22,985	47,331
Overdue loans	179,120	80,766
	285,614,244	281,597,912
Less: Allowance for doubtful accounts	3,197,294	2,796,860
	$ 282,416,950	$ 278,801,052

As of December 31, 2016 and 2015, the balances of nonaccrual loans were $179,120 thousand and $80,766 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $5,241 thousand in 2016 and $2,752 thousand in 2015.

In 2016 and 2015, the Company wrote off certain credits after completing the required legal procedures.

Please refer to Note 48 for impairment loss analysis of discounts and loans. The Company 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, 2016 and 2015 are summarized as follows:

	For the Year Ended December 31, 2016			
	Receivables	**Discounts and Loans**	**Reserve for Losses on Guarantees**	**Total**
Balance at January 1, 2016	$ 113,358	$ 2,796,860	$ 194,006	$ 3,104,224
Allowance (reversal) of allowance for doubtful accounts	100,436	130,467	(59,361)	171,542
Write-offs	(173,535)	(74,220)	-	(247,755)
Recovery of written-off credits	327,987	345,452	-	673,439
Effects of exchange rate changes	-	(1,265)	(24)	(1,289)
Balance at December 31, 2016	$ 368,246	$ 3,197,294	$ 134,621	$ 3,700,161

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	**2015**
Overseas corporate bonds	$ 13,035,783	$ 3,449,572
Overseas financial bonds	8,473,037	6,286,527
Domestic corporate bonds	4,424,558	3,471,800
Overseas government bonds	5,377,258	-
Domestic quoted stocks	3,419,143	4,195,933
Mutual funds	1,922,850	2,595,220
Overseas quoted stocks	2,377,519	2,433,640
Domestic government bonds	948,277	887,026
	$ 39,978,425	$ 23,319,718

The available-for-sale financial assets amounting to $14,636,448 thousand and $3,456,421 thousand as of December 31, 2016 and 2015, respectively, had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
Domestic government bonds	$ 6,864,356	$ 3,862,810
Domestic corporate bonds	300,000	300,000
Asset-based securities	27,759	28,435
Overseas bonds	-	16,191
	$ 7,192,115	$ 4,207,436

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

15. SUBSIDIARIES

The investees included in the consolidated financial statements are as follows:

			Percentage of Ownership December 31		
Investor	Investee	Main Businesses	2016	2015	
The Bank	Union Finance and Leasing International Corporation (UFLIC)	Installment, leasing and accounts receivable factoring.	100.00	100.00	-
	Union Information Technology Corporation (UIT)	Software and hardware product retail and distribution, system programming development, system development outsourcing, website design, e-commerce, etc.	99.99	99.99	-
	Union Finance International (HK) Limited	Import and export financing.	99.99	99.99	-
	Union Securities Investment Trust Corporation (USITC)	Securities investment trust.	35.00	35.00	Note 1
	Union Insurance Broker Company (UIB)	Personal insurance broker.	-	100.00	Note 2
UFLIC	Union Capital (Cayman) Corp. (Cayman)	Installment and leasing receivable factoring.	100.00	100.00	-
	New Asian Ventures Ltd. (New Asian)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	-
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd. (Union)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	Notes 3 and 5
	Uflc Capital (Singapore) Holding PTE. Ltd. (Uflc)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	-	Notes 3 and 5

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership December 31 2016	2015	
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	30.55	100.00	Notes 4 and 5
	Tokutei Mokuteki Kaisha SSG15 (Japan) (SSG15)	A real estate securitized special purpose company.	49.00	49.00	Notes 4 and 5
Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	69.45	-	Notes 4 and 5
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	49.00	-	Notes 4 and 5
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	49.00	-	Notes 4 and 5
Kabushiki Kaisha UCJ1 (Japan)	Tokutei Mokuteki Kaisha SSG15 Japan) (SSG15)	A real estate securitized special purpose company.	51.00	51.00	Notes 4 and 5
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	51.00	-	Notes 4 and 5
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	51.00	-	Notes 4 and 5

(Concluded)

Note 1: The Bank has control over the financial, operational and personnel policies of USITC; thus, this subsidiary was included in the consolidated financial statements.

Note 2: On August 26, 2016, the board of directors of the Bank resolved to merge UIB in order to integrate the resources, strengthen management and business synergy. The merger is approved by FSC (Rule No. 10502022990). The effective date of this merger is August 1, 2016.

Note 3: Union and Uflc were established in September, 2014 and March, 2016 by Cayman. The capital were both US$1.

Note 4: KK, SSG15, SSG12 and SSG16 were established by Union and Uflc in Japan to acquire investment properties for securitization.

Note 5: The financial year-end date of Union, Uflc, KK, SSG15, SSG12 and SSG16 is not December 31. In the application of the equity method of accounting, the consolidated financial statements of these subsidiaries as of September 30, 2016 have been used as the Company considers that it is impracticable for them to prepare a separate set of financial statements as of December 31. Appropriate adjustments have been made accordingly for the effects of significant transactions made between the subsidiaries' year-end dates and December 31, 2016.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31 2016	2015
None individually material		
Union Real-Estate Management Corporation	$ 53,447	$ 53,794

The summarized financial information in respect of the Company's associate is set out below:

	For the Year Ended December 31 2016	2015
Net loss	$ (347)	$ (389)

The Company's share of the associate's profit and other comprehensive income for 2016 and 2015 was based on the associate's audited financial statements for the same reporting periods as those of the Company.

17. OTHER FINANCIAL ASSETS, NET

	December 31	
	2016	2015
Debt instruments with no active markets, net	$ 51,433,548	$ 51,446,515
Pledged assets (Note 44)	4,898,176	7,820,440
Due from banks - certificate of deposit	464,500	1,261,813
Financial assets carried at cost, net	600,059	600,659
Others	7,460	4,404
	$ 57,403,743	$ 61,133,831

a. Debt instruments with no active markets

As of December 31, 2016 and 2015, debt instruments with no active markets and amounting to $10,163,828 thousand and $25,051,288 thousand, respectively, were under repurchase agreements.

b. Financial assets carried at cost, net

	December 31	
	2016	2015
Unquoted stocks		
I Pass Corporation	$ 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
Grace T.H.W. Holding Limited	64,320	64,320
Taiwan Financial Asset Service Corporation	50,000	50,000
Others	97,387	97,987
	$ 600,059	$ 600,659

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 or certificate of deposits that cannot be cancelled or used.

18. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2015	$ 3,421,707	$ 5,073,535	$ 1,313,878	$ 269,906	$ 145,503	$ 127,387	$ 10,351,916
Additions	-	10,722	104,859	6,760	50,574	81,146	254,061
Disposals	-	-	(69,711)	(3,325)	-	-	(73,036)
Reclassification	-	2,970	101,911	728	9,717	(164,138)	(48,812)
Effect of foreign currency exchange differences	-	-	59	-	32	-	91
Balance at December 31, 2015	3,421,707	5,087,227	1,450,996	274,069	205,826	44,395	10,484,220
Accumulated depreciation							
Balance at January 1, 2015	-	1,174,004	1,173,330	237,157	34,549	-	2,619,040
Depreciation	-	114,315	52,536	6,962	38,832	-	212,645
Disposals	-	-	(67,739)	(3,255)	-	-	(70,994)
Effect of foreign currency exchange differences	-	-	59	-	32	-	91
Balance at December 31, 2015	-	1,288,319	1,158,186	240,864	73,413	-	2,760,782
Balance at December 31, 2015, net	$ 3,421,707	$ 3,798,908	$ 292,810	$ 33,205	$ 132,413	$ 44,395	$ 7,723,438
Cost							
Balance at January 1, 2016	$ 3,421,707	$ 5,087,227	$ 1,450,996	$ 274,069	$ 205,826	$ 44,395	$ 10,484,220
Additions	423,916	30,931	130,055	12,349	51,056	87,330	735,637
Disposals	-	-	(177,323)	(1,728)	(672)	-	(179,723)
Reclassification	-	20,900	6,951	1,394	8,404	(84,764)	(47,115)
Effect of foreign currency exchange differences	-	-	(180)	-	(95)	-	(275)
Balance at December 31, 2016	3,845,623	5,139,058	1,410,499	286,084	264,519	46,961	10,992,744
Accumulated depreciation							
Balance at January 1, 2016	-	1,288,319	1,158,186	240,864	73,413	-	2,760,782
Depreciation	-	120,473	80,397	9,700	41,105	-	251,675
Disposals	-	-	(173,387)	(1,684)	(672)	-	(175,743)
Effect of foreign currency exchange differences	-	-	(180)	-	(95)	-	(275)
Balance at December 31, 2016	-	1,408,792	1,065,016	248,880	113,751	-	2,836,439
Balance at December 31, 2016, net	$ 3,845,623	$ 3,730,266	$ 345,483	$ 37,204	$ 150,768	$ 46,961	$ 8,156,305

The above items of property and equipment are 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

In August 2016, the Bank acquired a piece of land in Tucheng Dist. from New Taipei City through the public auction in order to construct business operation office for $423,916 thousand. The Bank completed the payment and obtained the ownership of the land in October, 2016. On November 9, 2016, the board of directors of the Bank and UFLIC, the property developer, resolved respectively to enter into a cooperation contract with each other to cooperatively construct a building. Upon completion of the building, the ownership thereof will be attributed to the Bank and UFLIC. Per contract, the Bank will provide its land (estimated cost amounting to $439,626 thousand) in Tucheng District, New Taipei City for constructing the building, and UFLIC will render funds and donate a piece of land originally reserved for the public facilities to the government in exchange for transfer development rights (TDR) to increase the building area. The funds and the TDR in the aggregate amount to $447,614 thousand. The building area increased due to the exercise of the TDR belongs to UFLIC.

19. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
Cost			
Balance at January 1, 2015	$ 3,215,457	$ 520,712	$ 3,736,169
Additions	1,881	1,073	2,954
Net exchange difference	23,262	10,483	33,745
Balance at December 31, 2015	$ 3,240,600	$ 532,268	$ 3,772,868
Accumulated depreciation and impairment			
Balance at January 1, 2015	$ -	$ (44,388)	$ (44,388)
Depreciation	-	(24,640)	(24,640)
Net exchange differences	-	(430)	(430)
Balance at December 31, 2015	$ -	$ (69,458)	$ (69,458)
Balance at December 31, 2015, net	$ 3,240,600	$ 462,810	$ 3,703,410
Cost			
Balance at January 1, 2016	$ 3,240,600	$ 532,268	$ 3,772,868
Additions	1,299,172	442,106	1,741,278
Net exchange difference	2,362	1,064	3,426
Balance at December 31, 2016	$ 4,542,134	$ 975,438	$ 5,517,572
Accumulated depreciation and impairment			
Balance at January 1, 2016	$ -	$ (69,458)	$ (69,458)
Depreciation	-	(34,061)	(34,061)
Net exchange differences	-	1,323	1,323
Balance at December 31, 2016	$ -	$ (102,196)	$ (102,196)
Balance at December 31, 2016, net	$ 4,542,134	$ 873,242	$ 5,415,376

The Company acquired investment properties amounting to $1,026,015 thousand and $668,984 thousand via SSG12 and SSG16 in Japan. The amount was based on the valuation by independent appraisers that were not the Company's related parties.

Investment properties are depreciated on a straight-line basis as follows:

Buildings	
Main buildings	15-50 years
Equipment installed in buildings	6-15 years

The fair values of investment properties were $6,500,254 thousand and $3,831,344 thousand as of December 31, 2016 and 2015. The fair values were based on the valuation at these dates by independent appraisers that were not the Company's related parties and estimated by the management according to the nearby transaction.

Refer to Note 27 for information relating to investment properties pledged as guarantee.

20. 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, 2016 and 2015, the balances of accumulated impairment both were $902,691 thousand.

21. OTHER ASSETS, NET

	December 31	
	2016	2015
Assets leased to others, net	$ 5,201,173	$ 4,866,600
Refundable deposits	1,772,777	1,977,997
Prepaid expenses	526,584	266,685
Prepaid pension (Note 30)	23,100	23,422
Others	98,434	49,874
	$ 7,622,068	$ 7,184,578

22. DUE TO THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	December 31	
	2016	2015
Call loans from banks	$ 6,936,890	$ 2,188,441
Due to Chunghwa Post Co., Ltd.	1,339,430	1,417,120
Overdraft	61,415	32,484
Due to the Central Bank and other banks	51,577	143,931
	$ 8,389,312	$ 3,781,976

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2016	2015
Asset-based securities	$ 8,166,461	$ 18,186,300
Corporate bonds	7,514,752	2,733,866
Commercial paper	6,908,529	4,929,255
Government bonds	5,459,089	1,137,515
Financial bonds	825,306	-
	$ 28,874,137	$ 26,986,936
Date of repurchase agreement	2017.01-2017.06	2016.01-2016.06
Amount of repurchase agreement	$ 28,907,147	$ 27,000,897

24. ACCOUNTS PAYABLE

	December 31	
	2016	2015
Notes and checks in clearing	$ 3,563,016	$ 1,335,779
Accrued expenses	772,010	770,705
Interest payable	656,277	632,706
Stock funds payable	284,614	3,330
Reimbursed for settlement	283,907	47,621
Investments payable	191,923	147,864
Collections payable	163,534	166,994
Bank acceptances payable	135,531	116,995
Tax payable	84,437	122,079
Payables on equipment	70,777	106,165
Provision for payment to the Bank’s check	67,087	73,507
Accounts payable on wire transfers received	65,258	58,221
Dishonored accounts payable	44,243	44,233
Others	598,850	435,799
	$ 6,981,464	$ 4,061,998

25. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Checking deposits	$ 5,467,993	$ 4,699,654
Demand deposits	67,049,529	61,178,715
Savings deposits	285,095,150	279,077,038
Time deposits	73,682,528	75,771,235
Negotiable certificates of deposit	250,700	263,300
Inward and outward remittances	73,015	28,164
	$ 431,618,915	$ 421,018,106

26. BANK DEBENTURES

	December 31 2016	December 31 2015
First issue of subordinated bank debentures in 2009; fixed rate at 2.95%; maturity: June 2016	$ -	$ 900,000
First issue of subordinated bank debentures in 2011; fixed rate at 2.78%; maturity: June 2018	2,000,000	2,000,000
First issue of subordinated bank debentures in 2012; fixed rate at 2.32%; maturity: March 2019	1,500,000	1,500,000
First issue of subordinated bank debentures in 2013; fixed rate at 2.10%; maturity: December 2020	3,000,000	3,000,000
First issue of subordinated bank debentures in 2015; fixed rate at 2.08%; maturity: April 2022	2,200,000	2,200,000
First issue of subordinated bank debentures in 2016; no maturity date and non-cumulative; redeemable at face value plus interest accrued under the approval of the authorities when the issue term is over 5.1 years; fixed rate at 4.20%	2,500,000	-
	$ 11,200,000	$ 9,600,000

27. BONDS PAYABLE

	December 31 2016	December 31 2015
Oversea corporate bonds - secured	$ 1,135,884	$ 604,397

SSG15

To comply with the Japanese law, whenever SSG15 issued secured corporate bonds, UCSH must transfer more than half of the shares of common stock of SSG15 held by UCSH to the legal entity Ippam Shadan Hojin UCJ1 (ISH UCJ1) in order to establish bankruptcy isolation mechanism.

SSG15 issued five-year period secured corporate bonds face value JPY2,200,000 thousand secured by investment property as a guarantee. The book value of the investment property is 951,682 thousand. According to the contract, the issuance can be extended by one year. The interest rates are as follows:

a. The first to fifth years: Base rate + 0.20%

   Base rate: The Tokyo Swap Rate (TSR), six-month LIBOR-based 5-year JPY/JPY-interest swap rate displayed on page 17143 of the Telerate screen at 10:00 am (JST) on the day that is two business days before the Issuance Date.

b. The sixth year: Base interest rate + 1.20%

   Base rate: The 3-month TIBOR (based on 365 days) displayed as the Japanese yen TIBOR as published by the JBA TIBOR Administration on page 17097 of the Telerate screen at 11:00 am JST on the day that is two business days before the Interest Payment Date.

SSG12

SSG12 issued secured corporate bonds, KK must transfer more than half of the shares of common stock of SSG12 held by KK to the legal entity Ippam Shadan Hojin UCJ2 (ISH UCJ2) in order to establish bankruptcy isolation mechanism.

SSG12 issued five-year period secured corporate bonds face value JPY1,920,000 thousand secured by investment property as a guarantee. The book value of the investment property is 529,344 thousand. According to the contract, the issuance can be extended by one year. The interest rates are as follows:

a. The first to fifth years: Base rate + 0.45%

   Base rate: The five-year yen-yen swap rate displayed on Reuters Screen page 17143 as the index rate as of 10 a.m. Tokyo time two Business Days prior to the Issue Date.

b. The sixth year: Base interest rate + 0.45%

   Base rate: The three-month yen TIBOR published by JBA TIBOR Administration on page 17097 of the Telerate screen as of 11 a.m., Tokyo time two Business Days prior to the first day of each Interest Calculation Period during the Tail Period.

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2016	**2015**
Commercial paper	$ 4,215,572	$ 2,659,030
Principals of structured products	14,953	11,898
Funds obtained from the government - intended for specific types of loans	4,613	8,510
	$ 4,235,138	$ 2,679,438

29. PROVISIONS

	December 31	
	2016	**2015**
Reserve for losses on guarantees	$ 134,621	$ 194,006
Provisions for employee benefits	28,672	824,249
Others	26,279	26,279
	$ 189,572	$ 1,044,534

30. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The total expenses recognized in profit or loss for 2016 and 2015 of $124,925thousand and $118,005 thousand, respectively, were contributions payable to these plans by the Company at rates specified in the pension plan rules.

b. Defined benefit plans

The Company (except for Union Finance International (HK) Limited) 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 Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Company of Taiwan and in the Company'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 Company has no right to influence the investment policy and strategy. Before the end of each year, the Company 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	
	2016	**2015**
Present value of defined benefit obligation	$ (1,580,240)	$ (1,553,813)
Fair value of plan assets	1,574,668	752,986
Deficit	(5,572)	(800,827)
Net defined benefit liability	$ (5,572)	$ (800,827)
Provisions - accrued retirement liabilities	$ (28,672)	$ (824,249)
Other assets - prepaid retirement	$ 23,100	$ 23,422

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, 2015	$ (1,479,378)	$ 737,837	$ (741,541)
Service cost			
Current service cost	(19,361)	-	(19,361)
Net interest expense (income)	(22,869)	13,078	(9,791)
Recognized in profit or loss	(42,230)	13,078	(29,152)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,264)	(3,264)
Actuarial loss - changes in demographic assumption	(20,402)	-	(20,402)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Actuarial loss - changes in financial assumptions	$ (47,769)	$ -	$ (47,769)
Actuarial gain - experience adjustments	10,579	-	10,579
Recognized in other comprehensive income	(57,592)	(3,264)	(60,856)
Contributions from the employer	-	30,722	30,722
Benefits paid	25,387	(25,387)	-
Balance at December 31, 2015	$ (1,553,813)	$ 752,986	$ (800,827)
Balance at January 1, 2016	$ (1,553,813)	$ 752,986	$ (800,827)
Service cost			
Current service cost	(18,507)	-	(18,507)
Net interest expense (income)	(23,273)	11,414	(11,859)
Recognized in profit or loss	(41,780)	11,414	(30,366)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,921)	(3,921)
Actuarial loss - changes in demographic assumption			
Actuarial loss - changes in financial assumptions	(20,722)	-	(20,722)
Actuarial gain - experience adjustments	13,570	-	13,570
Recognized in other comprehensive income	(7,152)	(3,921)	(11,073)
Contributions from the employer	-	836,694	836,694
Benefits paid	22,505	(22,505)	-
Balance at December 31, 2016	$ (1,580,240)	$ 1,574,668	$ (5,572)

(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 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	
	2016	**2015**
Discount rate	1.375%	1.16%-1.50%
Expected rates of future salary increase	1.00%-3.00%	1.12%-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	
	2016	**2015**
Discount rate(s)		
0.25% increase	$ (49,702)	$ (48,764)
0.25% decrease	$ 51,956	$ 51,018
Expected rate(s) of salary increase		
0.25% increase	$ 50,319	$ 50,132
0.25% decrease	$ (48,405)	$ (48,184)

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	
	2016	**2015**
The expected contributions to the plan for the next year	$ 24,566	$ 30,468
The average duration of the defined benefit obligation	13-16 years	13-17 years

c. Retirement benefits plans of Union Finance International (HK) Limited

Union Finance International (HK) Limited has a defined contribution plan under foreign standards and regulations and is thus not covered by the Labor Pension Act and the Labor Standards Law. Its pension costs were $127 thousand in 2016 and $126 thousand in 2015.

31. OTHER LIABILITIES

	December 31	
	2016	**2015**
Guarantee deposits received	$ 2,360,609	$ 2,110,354
Advance receipts	432,465	383,481
Others	99,136	81,940
	$ 2,892,210	$ 2,575,775

32. EQUITY

a. Capital stock

Common stock

	December 31	
	2016	2015
Number of shares authorized (in thousands)	3,000,000	3,000,000
Amount of shares authorized	$ 30,000,000	$ 30,000,000
Number of shares issued and fully paid (in thousands)	2,605,152	2,605,152
Amount of shares issued	$ 26,051,524	$ 26,051,524

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

b. Capital surplus

	December 31	
	2016	2015
Treasury stock transactions	$ 32,413	$ 32,413

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

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

c. Legal reserve

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

d. Special reserve

Items referred to under Rule No. 1010012865, Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

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.

According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

e. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 8, 2016 and, in that meeting, had resolved amendments to the Bank's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to Employee benefits expense in Note 35.

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;

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.

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 earnings of 2015 and 2014 were approved in stockholders' meetings on June 8, 2016 and June 26, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 923,460	$ 928,139		
Stock dividends on common shares	-	1,470,558	$ -	$ 0.60
Cash dividends on common shares	1,042,061	637,242	0.40	0.26

The appropriations from the 2016 earnings were proposed by the board of directors on March 22, 2017. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 790,913	
Special reserve	26,364	
Cash dividends	1,172,319	$0.45

The proposed appropriations from the 2016 earnings, including the bonus to employees and remuneration to directors and supervisors, will be presented to the stockholders in their meeting on June 2017.

The board of directors of the Bank resolved to raise long-term funds in order to cope with long-term business development in the future and the expanding scale of business. The situation depends on the market condition and capital requirements. Also, the board will request stockholders to authorize the board to raise funds by issuing either common stock or preferred stock according to the Bank's Articles of Incorporation or relevant or regulations. The number of shares will not exceed 800,000 thousand shares and issuance amount will not exceed $10,000,000 thousand.

f. Special reserve

Under Rule No. 1010012865 issued by the FSC, the Bank's the special reserve appropriated following IFRSs.

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	
	2016	**2015**
Balance at January 1	$ 416,049	$ 339,253
Exchange differences arising on translating the foreign operations	(558,033)	115,969
Income tax on related from translating the net assets of foreign operations	61,807	(39,173)
Balance at December 31	$ (80,177)	$ 416,049

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

	For the Year Ended December 31	
	2016	**2015**
Balance, beginning of the year	$ 1,302,228	$ 1,029,647
Unrealized gain from the revaluation of available-for-sale financial assets	259,670	419,410
Income tax on unrealized gain from the revaluation of available-for-sale financial assets	9,950	(75,315)
Cumulative loss (gain) reclassified to profit or loss on sale of available-for-sale financial assets	(299,540)	(71,514)
Balance, end of the year	$ 1,272,308	$ 1,302,228

h. Non-controlling interests

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 260,253	$ 268,951
Attributed to non-controlling interests		
Share of profit for the year	25,246	18,022
Actuarial gains (loss) on defined benefit plans	(209)	(6)
Income tax related to actuarial gains and losses	35	1
Cash dividends distributed by subsidiaries	(16,185)	(26,715)
Balance at December 31	$ 269,140	$ 260,253

33. NET INTEREST

	For the Year Ended December 31	
	2016	2015
Interest revenue		
Discounts and loans	$ 6,143,904	$ 6,382,198
Debt instruments with no active market	1,715,733	1,709,484
Credit card	706,213	803,670
Due from the Central Bank and call loans to other banks	392,912	629,089
Available-for-sale financial assets	845,680	415,129
Securities purchased under resell agreements	119,833	109,332
Held-to-maturity financial assets	63,214	26,147
Others	26,848	23,118
	10,014,337	10,098,167
Interest expense		
Deposits	3,110,201	3,508,476
Securities sold under repurchase agreements	214,377	183,609
Bank debentures	291,833	209,162
Due to Chunghwa Post Co., Ltd.	14,366	34,727
Others	79,188	77,769
	3,709,965	4,013,743
	$ 6,304,372	$ 6,084,424

34. COMMISSIONS AND FEE REVENUES, NET

	For the Year Ended December 31	
	2016	2015
Commission and fee revenues		
Insurance commission	$ 1,220,848	$ 1,048,454
Credit cards and cash cards	1,029,294	808,306
Trust business	255,903	351,418
Loan business	207,199	191,591
Interbank service fee	143,489	129,293

(Continued)

	For the Year Ended December 31	
	2016	2015
Underwriting business	$ 105,940	$ 123,231
Guarantee business	82,908	84,113
Remittances	37,062	36,359
Custody	17,226	16,313
Postage/cable charge	22,752	22,534
Agency	16,456	18,800
Import and export business	10,787	8,630
Others	90,118	93,332
	3,239,982	2,932,374
Commission and fee expense		
Credit card	663,369	514,112
Verification of credit	30,588	25,441
Interbank service fee	17,687	15,581
Acquiring liquidation deal	14,341	13,721
Others	90,508	84,123
	816,493	652,978
	$ 2,423,489	$ 2,279,396

(Concluded)

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

	For the Year Ended December 31	
	2016	2015
Realized gain or loss on financial assets at fair value through profit or loss		
Currency swap contracts	$ 188,186	$ 212,133
Forward exchange contracts	6,434	(25,398)
Commercial papers	22,037	45,772
Convertible corporate bonds	19,160	35,809
Beneficial securities and stocks	(27,527)	(96,545)
Option contracts	1,534	6,896
Government bonds and corporate bonds	(734)	(2,179)
Dividend revenue	5,335	5,587
Interest revenue	163,896	174,282
	378,321	356,357
Unrealized gain or loss on financial assets at fair value through profit or loss		
Derivative financial assets and liabilities	63,013	84,827
Beneficial securities and stocks	31,560	(33,529)
Commercial paper	(1,410)	308
Government bonds and corporate bonds	(88,726)	4,389
	4,437	55,995
	$ 382,758	$ 412,352

36. REALIZED GAIN FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	For the Year Ended December 31	
	2016	2015
Net income (loss) on disposal - beneficial securities	$ (1,999)	$ 50,752
Net income on disposal - stocks	213,461	9,797
Net income on disposal - corporate bonds	42,678	10,965
Net income on disposal - Financial bonds	45,400	-
Dividend revenue	162,300	183,114
	$ 461,840	$ 254,628

37. LOSS FROM ASSET IMPAIRMENT, NET

	For the Year Ended December 31	
	2016	2015
Other financial assets	$ (50,000)	$ (120,000)
Foreclosed collaterals	717	15,157
	$ (49,283)	$ (104,843)

38. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2016	2015
Salaries and wages	$ 2,115,272	$ 2,066,732
Bonus	759,421	641,519
Pension		
Defined contribution plans	125,052	118,131
Defined benefit plans	30,366	29,152
Labor insurance and national health insurance	259,234	249,014
Others	56,404	57,875
	$ 3,345,749	$ 3,162,423

As of December 31, 2016 and 2015, the Company had 3,893 and 3,835 employees, respectively.

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the stockholders in their meeting on June 8, 2016, the Bank accrued employees' compensation and remuneration of directors at the rates of between 1% to 5% and no higher than 0.1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015 which have been approved by the Bank's board of directors on March 22, 2017 and March 16, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1.84%	1.84%
Remuneration of directors	0.09%	0.09%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	$ 60,602	$ -	$ 70,497	$ -
Remuneration of directors and supervisors	2,964	-	3,448	-

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

The bonus to employees and remuneration of directors for 2014 which have been approved in the stockholders' meeting on June 26, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	Share
Bonus to employees	$ -	$ 69,510
Remuneration of directors	3,475	-

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 2016 and 2015.

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.

Information on the bonus to employees and remuneration of directors resolved by the stockholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

39. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2016	2015
Property and equipment	$ 251,675	$ 212,645
Investment properties	34,061	24,640
Assets leased	1,475,216	1,422,668
Intangible assets	51,923	37,867
Other assets	7,985	9,358
	$ 1,820,860	$ 1,707,178

40. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2016	2015
Rental	$ 616,379	$ 600,315
Outsourcing service	314,283	278,591
Taxation and government fee	627,762	666,581
Postage/cable charge	235,551	227,615
Computer operating	161,181	159,186
Advertisement	419,055	358,091
Deposit insurance	127,965	123,393
Maintenance charge	120,407	123,230
Marketing	71,431	63,869
Printing and binding	43,313	43,160
Donation	32,869	27,937
Others	592,526	472,831
	$ 3,362,722	$ 3,144,799

41. 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	
	2016	2015
Current tax		
Current year	$ 80,334	$ 72,111
Additional 10% income tax on unappropriated earnings	110,493	-
Prior year's adjustments	(7,564)	38,199
	183,263	110,310
Deferred tax		
Current year	465,903	591,030
Income tax expense recognized in profit or loss	$ 649,166	$ 701,340

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2016 and 2015 is as follows:

	For the Year Ended December 31	
	2016	2015
Income before tax	$ 3,310,787	$ 3,840,264
Income tax expense at the 17% statutory rate	$ 567,925	$ 652,900
Nondeductible expenses in determining taxable income	26,109	21,876
Additional income tax under the Alternative Minimum Tax Act	21,432	34,667
Unrecognized deductible temporary differences	42,751	39,332

(Continued)

	For the Year Ended December 31	
	2016	2015
Additional 10% income tax on unappropriated earnings	$ 110,493	$ -
Tax-exempt income	(146,361)	(114,502)
Other permanent differences	34,381	28,868
Adjustments for prior year's tax	(7,564)	38,199
Income tax expense recognized in profit or loss	$ 649,166	$ 701,340

(Concluded)

The applicable tax rate used by the Company (except for Union Finance International (HK) Limited) was 17%, the applicable tax rate used by a subsidiary in Hong Kong was 16.5% and the applicable tax rate used by subsidiaries in Japan was 30%.

As the manner of the 2017 appropriation of the 2016 earnings is uncertain, the income tax consequences on the 2016 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
Recognized in other comprehensive income:		
Exchange differences on the translation of financial statements of foreign operations	$ (61,807)	$ 39,173
Unrealized gains on available-for-sale financial assets	(9,950)	75,315
Actuarial gains and losses on defined benefit plans	(1,883)	(10,346)
Total income tax expenses recognized in other comprehensive income	$ (73,640)	$ 104,142

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, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Impairment loss of financial instruments	$ 37,954	$ 8,500	$ -	$ -	$ 46,454
Exchange difference on translation of foreign operations	3,796	-	3,143	-	6,939
Employee benefit plan	138,564	4,502	1,806	-	144,872
Payable for annual leave	5,750	(3,201)	-	-	2,549
Allowance for possible losses and reserve for losses on guarantees	13,175	36,405	-	-	49,580

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Investment properties	$ 123,272	$ (1,638)	$ -	$ -	$ 121,634
Others	21,260	2,373	-	-	23,633
	343,771	46,941	4,949	-	395,661
Loss carryforwards	1,542,767	(491,389)	-	-	1,051,378
	$ 1,886,538	$ (444,448)	$ 4,949	$ -	$ 1,447,039
Deferred tax liabilities					
Temporary differences					
Available-for-sale financial assets	$ (357,391)	$ -	$ 9,950	$ -	$ (347,441)
Exchange difference on foreign operations	(62,629)	-	58,664	-	(3,965)
Amortization of goodwill impairment loss	(337,502)	-	-	-	(337,502)
Others	(124,209)	(21,455)	77	85	(145,502)
	$ (881,731)	$ (21,455)	$ 68,691	$ 85	$ (834,410)

(Concluded)

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Impairment loss of financial instruments	$ -	$ 37,954	$ -	$ -	$ 37,954
Exchange difference on translation of foreign operations	9,853	-	(6,057)	-	3,796
Employee benefit plan	128,264	(222)	10,522	-	138,564
Payable for annual leave	18,850	(13,100)	-	-	5,750
Allowance for possible losses and reserve for losses on guarantees	17,281	(4,106)	-	-	13,175
Property and equipment	16,855	(16,856)	-	1	-
Investment properties	124,910	(1,638)	-	-	123,272
Others	22,723	(1,463)	-	-	21,260
	338,736	569	4,465	1	343,771
Loss carryforwards	2,068,968	(526,206)	-	5	1,542,767
	$ 2,407,704	$ (525,637)	$ 4,465	$ 6	$ 1,886,538
Deferred tax liabilities					
Temporary differences					
Available-for-sale financial assets	$ (282,076)	$ -	$ (75,315)	$ -	$ (357,391)
Exchange difference on foreign operations	(29,513)	-	(33,116)	-	(62,629)
Amortization of goodwill impairment loss	(334,729)	(2,773)	-	-	(337,502)
Others	(61,413)	(62,620)	(176)	-	(124,209)
	$ (707,731)	$ (65,393)	$ (108,607)	$ -	$ (881,731)

d. Information on loss carryforwards

The Company's loss carryforwards as of December 31, 2016 were as follows:

Expiry Year	Unused Amount
2018	$ 2,489,453
2019	3,654,948
2020	40,176
2022	396
2023	67,883
	$ 6,252,856

The loss carryforward of Union Finance International (HK) Limited as of December 31, 2016 was $76,073 thousand.

e. Information on the Bank's integrated income tax

	December 31	
	2016	2015
Imputation credits accounts	$ 114,475	$ 79,165

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

The creditable ratios for the distribution of the earnings of 2016 and 2015 were 3.06% and 3.49%, respectively.

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 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

f. As of December 31, 2016, the Company's income tax returns have been examined and cleared by the tax authorities as follows:

	Examined and Cleared
Union Bank of Taiwan	Through 2014
Union Finance and Leasing International	Through 2014
Union Information Technology	Through 2014
Union Insurance Broker	Through 2014
Union Securities Investment Trust	Through 2014

The Bank's income tax returns through 2014 were examined and cleared by the tax authorities. The Bank disagreed with the tax authorities' assessment of the ending balance of imputation credit accounts (ICA) for 2012 and applied for a re-examination. The tax authorities replied on August 24, 2016 that the balance shall be reexamined. The bank expects that there is no major difference between the applied amount and the approved amount.

42. EARNINGS PER SHARE

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

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earnings Per Share (NT$)	
	Pretax	After Tax		Pretax	After Tax
2016					
Basic EPS					
Income for the year attributable to common stockholders	$ 3,226,478	$ 2,636,375	2,605,152	$ 1.24	$ 1.01
Bonus to employees	-	-	8,328		
Diluted EPS	$ 3,226,478	$ 2,636,375	2,613,480	$ 1.23	$ 1.01
2015					
Basic EPS					
Income for the year attributable to common stockholders	$ 3,763,143	$ 3,120,902	2,601,697	$ 1.45	$ 1.20
Bonus to employees	-	-	11,011		
Diluted EPS	$ 3,763,143	$ 3,120,902	2,612,708	$ 1.44	$ 1.19

If the Bank offered to settle compensation or bonuses paid to employees in cash or shares, the Bank assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

43. RELATED-PARTY TRANSACTIONS

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

a. Related parties and their relationships with the Company

Related Party	Relationship with the Company
Union Real-Estate Management Corporation	Equity-method investee of the Bank
Hung-Kou Construction Inc., Ltd. (Hung-Kou)	Its chairman is a 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, 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

(Continued)

Related Party	Relationship with the Company
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
Securities Investment Trust Funds	Issued by Union Securities Investment Trust
Others	Directors, managers, and their relatives and affiliates

(Concluded)

b. Significant transactions with related parties:

1) Loans

December 31, 2016

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2016	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	7	$ 9,602	$ 4,353	$ 4,353	$ -	Land and building	None
Self-used housing mortgage loans	17	129,901	96,949	96,949	-	Real estate	None
Others	4	1,102,950	1,096,150	1,096,150	-	Land, plant, buildings, quoted stocks and time deposits	None

December 31, 2015

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2015	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	6	$ 8,006	$ 6,122	$ 6,122	$ -	Land and building	None
Self-used housing mortgage loans	17	120,365	108,854	108,854	-	Real estate	None
Others	3	1,091,750	1,087,000	1,087,000	-	Land, plant, buildings and time deposits	None

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2016	$ 1,197,452	0.42	1.06%-3.00%	$ 17,663	0.18
2015	1,201,976	0.43	1.12%-2.94%	12,975	0.13

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate	Amount	%
2016	$ 5,006,844	1.16	0%-4.8%	$ 29,984	0.81
2015	4,482,477	1.06	0%-3.8%	38,748	0.97

3) Guarantees and letters of credit

December 31, 2016

Name	Highest Balance in the Year Ended December 31, 2016	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 39,874	$ 19,316	$ -	0.3%-0.5%	Time deposits
The Liberty Times Co., Ltd.	11,484	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits

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

4) Securities brokerage fees

	Year Ended December 31	
	Amount	%
2016	$ 4,193	2.11
2015	4,381	2.34

5) Leases

Under operating lease agreements with terms of one year to five years, the Company rents office spaces from related parties for use by the Bank's Head Office, Trust, International Banking Department, Wealth Management, Information Technology Department, Consumer Banking Department, Insurance Agency Department, Credit Card Department, Northern Collaterals Appraisal Center, five branches, USITC, UFLIC and UIT. Rentals are paid quarterly or are taken from lease deposits. Rental expenses and lease deposits were as follows:

	Lease Deposit (Part of Other Assets)		Rental Expense (Part of Other Operating Expense)	
	Amount	%	Amount	%
2016				
Yu-Pang	$ 459,983	25.95	$ 25,954	4.21
Hung-Kuo	218,768	12.34	101,476	16.46
Yong-Xuan	15,975	0.90	65,682	10.66
UECC	5,067	0.29	10,882	1.77
2015				
Yu-Pang	460,000	23.26	27,590	4.60
Hung-Kuo	218,768	11.06	101,275	16.87
Yong-Xuan	15,975	0.81	61,452	10.24
UECC	5,067	0.26	10,685	1.78

6) Available-for-sale financial assets

As of December 31, 2016 and 2015, the Bank and UFLIC had purchased 93,605 thousand units and 110,561 thousand units, respectively, of beneficial certificates issued by USITC, which amounted to $1,149,336 thousand and $1,364,318 thousand, respectively.

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	
	2016	**2015**
Short-term employment benefits		
Salaries	$ 47,709	$ 47,935
Transportation expenses	1,200	1,726
Other	33	28
	48,942	49,689
Post-employment benefits	2,555	2,596
	$ 51,497	$ 52,285

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

44. PLEDGED ASSETS

a. As of December 31, 2016 and 2015, government bonds and bank debentures, which amounted to $154,405 thousand and $92,100 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, brokering life insurance, property and casualty insurance, and as trust reserve. In addition, as of December 31, 2016 and 2015, negotiable certificates of deposit, which amounted to $3,800,000 thousand and $7,400,000 thousand, respectively (all amounts included in other financial assets), had been provided to the Central Bank as collateral for day-term overdraft.

b. As of December 31, 2016 and 2015, the Bank pledged a time deposit of $300,000 thousand and $300,000 thousand (part of other financial assets) to Mega International Commercial Bank to be part of the latter's online bank-to-bank payment system.

c. The following assets of the Company had been used as collaterals to apply for loans, issue commercial papers and apply for provisional seizure of certain assets:

	December 31	
	2016	**2015**
Other financial assets		
Pledge assets	$ 690,392	$ 78,435
Investment property	$ 1,974,113	$ 954,820

d. As of December 31, 2016 and 2015, Notes receivable(not expired) amounting to $1,035,993 thousand and $721,846 thousand had been used as collaterals to apply for loans and issue commercial papers.

45. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2016 and 2015, the Company's commitments consisted of the following:

	December 31	
	2016	**2015**
Irrevocable standby loan commitment	$ 109,697,387	$ 95,989,931
Unused credit card commitment	238,271,865	192,845,887
Unused letters of credit	860,155	741,548
Other guarantees	10,270,804	11,605,965
Collections for customers	30,941,654	27,068,197
Travelers' checks consigned-in	115,788	130,409
Guarantee notes payable	4,265,400	7,816,100
Trust assets	59,974,657	56,720,926
Marketable securities under custody	4,262,547	3,005,248

b. The Company as a lessee

The Company 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 Company does not have a bargain purchase option to acquire the leased premises at the expiration of the lease period.

As of December 31, 2016 and 2015, refundable deposits paid under operating leases were $805,681 thousand and $803,724 thousand, respectively (included in other assets - refundable deposits).

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

	December 31	
	2016	**2015**
Within 1 year	$ 444,548	$ 418,842
Over 1 year up to 5 years	1,135,301	1,155,570
Over 5 years	386,690	375,861
	$ 1,966,539	$ 1,950,273

c. The Company as lessor

The Company rents out properties under operating leases with terms ranging between 3 and 20 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, 2016 and 2015, refundable deposits paid under operating leases were $94,357 thousand and $45,913 thousand, respectively (included in other liabilities - guarantee deposits received).

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

	December 31	
	2016	2015
Within 1 year	$ 179,260	$ 102,663
Over 1 year and up to 5 years	385,250	379,532
Over 5 years	84,556	440,934
	$ 649,066	$ 923,129

The duration of leasing cars(included in other assets) is about 1 to 3 years.

Minimum future annual rentals are as follows:

	December 31	
	2016	2015
Within 1 year	$ 1,828,030	$ 1,678,419
Over 1 year to 5 years	1,581,947	1,485,802
	$ 3,409,977	$ 3,164,221

d. Computer equipment purchase contracts

As of December 31, 2016 and 2015, the Company had contracts to buy computer equipment and software for $409,463 thousand and $312,581 thousand, respectively, of which $256,408 thousand and $178,448 thousand had been paid as of December 31, 2016 and 2015, respectively.

e. Union Securities Investment Trust

The private equity funds managed by USITC, a subsidiary of the Bank, were mainly invested in the Fairfield Sentry Funds (F Funds) of the Madoff Investment Securities's (Madoff Company) Fairfield Company (Fairfield). On January 10, 2011, the liquidator of the F Funds sued USITC, the private equity funds managed by USITC and the beneficiaries who bought USITC's private equity funds to demand the return of the redemption proceeds of US$17,206 thousand received by USITC's private equity funds from the F Funds. This case remained pending before the Bankruptcy Court for the Southern District of New York.

Madoff Company's liquidation trustee claimed that F Funds' redemption proceeds from Madoff Company constituted unjust enrichment and thus sued USITC and F Funds on March 23, 2012 to demand the return of the redemption proceeds of US$17,206 thousand received by USITC's private equity funds from F Funds. This case remained pending before the Bankruptcy Court for the Southern District of New York.

USITC received the notification sent by the Taiwan Taipei District Court on the lawsuit filed against USITC by Madoff Company's liquidation trustee on January 17, 2013; thus, USITC appointed American lawyers to deal with the litigation. The US Bankruptcy Court opened a court session to hear how to apply the District Court's insights on the extra-territorial effects and the plaintiff's request for limited disclosure of evidence, and presented the revised complaint to the defendant who was affected by the "good faith opinion". The United States attorney wrote a letter to report the progress of the case on April 25, 2016. The US Bankruptcy Court rejected the plaintiff's request mentioned above. On December 7, 2016, the Bankruptcy Court of the Southern District of New York rejected the claim of Madoff Company's liquidation trustee.

USITC received the liquidation report on the F Funds, which contained an update on the litigation and the status of profit and loss on August 31, 2014. The case whether the liquidators of F Funds may demand the distribution of the Funds was pending before the British Virgin Islands Court.

The private equity funds managed by USITC and mainly invested in the F Funds of Fairfield had become a loss for USITC. Thus, on June 26, 2013, USITC joined Fairfield Greenwich, Citco and PwC in a class action litigation on this investment loss. Regarding the class action suit against Fairfield Greenwich, United States District Court of the Southern District of New York approved the settlement of the two parties on December 19, 2014. The settlement fee was distributed among the settling parties in February 2015. Regarding the class action suit against Citco, the two parties had already come to a settlement on August 12, 2015; the court also approved the settlement of Citco on November 20, 2015. The settlement fee is going to be distributed among the settling parties. Regarding the class action suit against PwC, the court gave a preliminary verdict of settlement to the two parties and opened a court session on May 6, 2016, for a hearing on the fairness of the settlement and the granting of permission; there has been no further appeals since then. The settlement fee of PwC was distributed to the settling parties in February 2017 after deducting the approved amount of counselor fees and disbursement fees.

46. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2016

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 3,045,051	Management fee payable	$ -
Investments		Income tax payable	25
Mutual funds	38,199,360	Marketable securities payable	7,189,491
Common stock	269,587	Trust capital	52,866,325
Short-term bills and securities purchased under resell agreements	132,635	Reserve and deficit	(81,184)
Accounts receivable	1,825		
Stock in custody	7,189,491		
Real estate - land and building	11,136,708		
Total	$ 59,974,657	Total	$ 59,974,657

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2016.

Balance Sheet of Trust Accounts
December 31, 2015

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

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

Income Statement of Trust Accounts
Year Ended December 31, 2016

	Amount
Trust income	
Interest revenue - demand accounts	$ 593
Interest revenue - time deposits	9,206
Interest revenue - short-term bills and securities purchased under resell agreements	246
Cash dividends - common stock	13,599
Income from beneficial certificates	271
Realized capital gain - fund	149
Unrealized capital gain - common stock	10,403
Unrealized capital gain - fund	482
Total trust income	34,949
Trust expense	
Management expense	7,590
Supervisor fee	160
Lawyer fee	100
Taxation	86,014
Agency fees	1,212
Realized capital loss - fund	406
Unrealized capital loss - common stock	6,031
Unrealized capital loss - fund	663
Others	383
Total trust expense	102,559
Loss before tax	(67,610)
Income tax expense	(1,332)
Net loss	$ (68,942)

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

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 - common stock	10,432
Income from beneficial certificates	418
Realized capital gain - fund	317
Unrealized capital gain - common stock	5,667
Unrealized capital gain - fund	218
Other	2
Total trust income	27,645
Trust expense	
Management expense	5,803
Taxation	67,848
Agency fees	1,411
Realized capital loss - fund	174
Unrealized capital loss - common stock	2,712
Unrealized capital loss - fund	840
Other	296
Total trust expense	79,084
Loss before tax	(51,439)
Income tax expense	(2,335)
Net loss	$ (53,774)

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

Trust Property and Equipment Accounts
December 31, 2016

Investment Portfolio	Amount
Bank deposits	$ 3,045,051
Investments	
Mutual funds	38,199,360
Common stock	269,587
Short-term bills and securities purchased under resell agreements	132,635
Accounts receivable	1,825
Stock in custody	7,189,491
Real estate - land and buildings	11,136,708
	$ 59,974,657

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2016.

Trust Property and Equipment Accounts
December 31, 2015

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

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

47. 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 Company's financial instruments as of December 31, 2016 and 2015 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis				
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 192,085	$ 192,085	$ -	$ -
Debt instruments	151,223	-	151,223	-
Beneficial certificates	128,425	128,425	-	-
Commercial paper	8,300,747	-	8,300,747	-
Financial assets designated as at FVTPL on initial recognition				
Principal guaranteed notes	322,968	-	322,968	-
Available-for-sale financial assets				
Stock	5,796,662	5,796,662		
Debt instruments	32,258,913	-	32,258,913	-
Beneficial certificates	1,922,850	1,922,850	-	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	442,642	-	434,497	8,145
Liabilities				
Financial liabilities at FVTPL	39,523	-	31,388	8,135

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	$ 434,865	$ 434,865	$ -	$ -
Debt instruments	153,772	-	153,772	-
Beneficial certificates	204,354	204,354	-	-
Commercial paper	5,974,371	-	5,974,371	-
Financial assets designated as at FVTPL on initial recognition				
Debt instruments	1,076,321	-	1,076,321	-
Principal guaranteed notes	827,875	-	827,875	-
Available-for-sale financial assets				
Stock	6,629,573	6,629,573	-	-
Debt instruments	14,094,925	-	14,094,925	-
Beneficial certificates	2,595,220	2,595,220	-	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	387,257	-	363,063	24,194
Liabilities				
Financial liabilities at FVTPL	54,271	-	30,081	24,190

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 Company uses the same estimations and assumptions as those used by market participants to determine the fair value.

The Company uses the forward rates provided by Reuters to estimate the fair values of forward contracts, foreign exchange swap contracts, interest rate swap and cross-currency swap contacts and the discounted cash flow method to calculate the fair values of each contract. For foreign exchange option transactions, the Company 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 Company 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 2016 and 2015.

4) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2016

(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	$ 24,194	$(13,284)	$ -	$ 28,978	$ -	$(31,743)	$ -	$ 8,145

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

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2016

(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	$ 24,190	$(12,039)	$ -	$ 32,520	$ -	$(36,536)	$ -	$ 8,135

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

5) The quantification information of Level 3

Item	Product	Fair Value	Valuation Technique	Significant Unobservable Inputs	Interval (Weighted-average)	Relation Between Input and Fair Value
Derivative financial Instruments						
Financial assets at fair value through profit or loss	Foreign exchange options	$ 8,145	Option pricing model	Ratio	USD/JPY 12.80%-13.28% EUR/USD 10.34%-11.31% USD/NTD 7.50%-8.24% NZD/USD 12.03%-12.04% USD/ZAR 17.63% AUD/USD 11.07%-11.91%	The higher the ratio is, the higher fair value
Financial liabilities at fair value through profit or loss	Foreign exchange options	8,135	Option pricing model	Ratio	USD/JPY 12.80%-13.28% EUR/USD 10.34%-11.31% USD/NTD 7.50%-8.24% NZD/USD 12.03%-12.04% USD/ZAR 17.63% AUD/USD 11.07%-11.91%	The higher the ratio is, the higher fair value

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

The Company's Level 3 financial instruments are foreign exchange options. When engaging in foreign exchange option transactions, the Company makes a match for other banks and customers. Thus, the Company 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 Company 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			
	2016		2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Held-to-maturity financial assets	$ 7,192,115	$ 7,088,803	$ 4,207,436	$ 4,267,159
Debt instruments with no active market	51,433,548	53,015,036	51,446,515	50,826,020
Financial liabilities				
Bank debentures	11,200,000	11,445,952	9,600,000	9,805,550

2) Fair value hierarchy

Items	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 7,088,803	$ -	$ 7,088,803	$ -
Debt instruments with no active market	53,015,036	-	53,015,036	-
Financial liabilities				
Bank debentures	11,445,952	-	11,445,952	-

Items	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 4,267,159	$ -	$ 4,267,159	$ -
Debt instruments with no active market	50,826,020	-	50,826,020	-
Financial liabilities				
Bank debentures	9,805,550	-	9,805,550	-

48. FINANCIAL RISK MANAGEMENT

a. Overview

To deal with any expected or unexpected business risk, the Company 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 Company'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 Company has established the "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 Company 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 Company, 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 Company'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 Company'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 Company'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 Company 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 Company will take appropriate remeasures to control risk. The Company'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 consolidated 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, 2016	December 31, 2015
Irrevocable standby loan commitment	$ 9,482,533	$ 6,569,725
Unused letters of credit	860,155	741,548
Other guarantees	10,270,804	11,605,965
Unused credit card commitments	238,271,865	192,845,887

December 31, 2016	Collateral	Netting Arrangements	Other Credit Enhancement	Total
In-balance sheet items				
Discount and loans	$ 226,779,935	$ -	$ -	$ 226,779,935
Off-balance sheet items				
Irrevocable standby loan commitment	-	-	-	-

December 31, 2015	Collateral	Netting Arrangements	Other Credit Enhancement	Total
In-balance sheet items				
Discount and loans	$ 221,098,338	$ -	$ -	$ 221,098,338
Off-balance sheet items				
Irrevocable standby loan commitment	86,283	-	-	86,283

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 Company maintains a diversified portfolio; limits its exposure to any one geographic region, country or individual creditor; and closely monitors its exposures. The Company's most significant concentrations of credit risk are summarized as follows:

a) By industry

	December 31, 2016		December 31, 2015	
	Amount	**%**	**Amount**	**%**
Private enterprises	$ 71,596,120	24.05	$ 70,481,556	23.87
Public enterprises	5,000,000	1.68	5,000,000	1.69
Government organizations	33,036,805	11.10	36,072,659	12.22
Nonprofit organizations	917,924	0.31	796,650	0.27
Private organizations	186,430,171	62.64	180,559,645	61.14
Foreign enterprises	663,332	0.22	2,390,793	0.81
Total	297,644,352	100.00	295,301,303	100.00

b) By geographical area

The Company's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2016		December 31, 2015	
	Amount	**%**	**Amount**	**%**
Unsecured	$ 63,101,890	21.20	$ 65,049,221	22.03
Secured				
Financial instruments	7,229,286	2.43	7,696,668	2.61
Stocks	9,284,626	3.12	9,477,891	3.21
Properties	194,540,140	65.36	190,828,539	64.62
Movables	15,813,134	5.31	14,523,030	4.92
Guarantees	5,520,845	1.86	5,425,905	1.84
Others	2,154,431	0.72	2,300,049	0.77
Total	297,644,352	100.00	295,301,303	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, 2016	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	$ 8,705,928	$ 3,932,822	$ 40,380	$ -	$ 12,679,130	$ 200,846	$ 1,287,067	$ 14,167,043	$ 62,126	$ 34,319	$ 14,070,598
Acceptances receivable	97,552	37,979	-	-	135,531	-	-	135,531	-	476	135,055
Accounts receivable factoring without recourse	-	799,844	-	-	799,844	-	-	799,844	-	3,504	796,340
Others	2,491,905	106,932	23,617	3,901	2,626,355	1,815	525,888	3,154,058	267,780	41	2,886,237
Overdue guaranty deposits	-	-	-	-	-	-	3,765	3,765	-	-	3,765
Discounts and loans											
Consumer finance	88,535,794	42,291,881	20,657,009	2,930,474	154,415,158	331,607	134,205	154,880,970	63,497	1,656,388	153,161,085
Corporate banking	74,787,465	53,177,163	806,354	219,925	128,990,907	17,379	1,724,988	130,733,274	227,124	1,250,285	129,255,865

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	1,880,495	101,751	23,316	3,962	2,009,524	1,950	11,519	2,022,993	4,801	2,077	2,016,115
Overdue guaranty deposits	-	-	-	-	-	-	3,079	3,079	-	-	3,079
Discounts and loans											
Consumer finance	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
Corporate banking	77,861,490	53,357,619	846,054	-	132,065,163	30,787	1,673,751	133,769,701	204,852	1,140,700	132,424,149

b) Credit quality analysis of securities

December 31, 2016	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	$ 30,717,571	$ 1,541,342	$ -	$ 32,258,913	$ -	$ -	$ 32,258,913	$ -	$ -	$ 32,258,913
Investments in stocks	5,553,816	242,846	-	5,796,662	-	-	5,796,662	-	-	5,796,662
Others	631,315	-	1,291,535	1,922,850	-	-	1,922,850	-	-	1,922,850
Held-to-maturity financial assets										
Investments in bonds	7,192,115	-	-	7,192,115	-	-	7,192,115	-	-	7,192,115
Other financial assets										
Investments in bonds	51,433,548	-	-	51,433,548	-	279,278	51,712,826	-	279,278	51,433,548
Investments in stocks	-	-	600,059	600,059	-	-	600,059	-	-	600,509

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	$ 12,123,078	$ 1,971,847	$ -	$ 14,094,925	$ -	$ -	$ 14,094,925	$ -	$ -	$ 14,094,925
Investments in stocks	6,365,394	264,179	-	6,629,573	-	-	6,629,573	-	-	6,629,573
Others	611,269	-	1,983,951	2,595,220	-	-	2,595,220	-	-	2,595,220
Held-to-maturity financial assets										
Investments in bonds	4,207,436	-	-	4,207,436	-	-	4,207,436	-	-	4,207,436
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	-	-	600,659	600,659	-	-	600,659	-	-	600,659

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 Company'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, 2016			
	Overdue Less Than One Month	**Overdue One to Three Months**	**Overdue Over Three to Six Months**	**Total**
Accounts receivable				
Credit cards	$ 157,031	$ 43,815	$ -	$ 200,846
Others	1,118	697	-	1,815
Discounts and loans				
Consumer finance	247,672	83,935	-	331,607
Corporate banking	11,270	6,109	-	17,379

	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

10) Analysis of impairment for financial assets

The Company'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

		December 31, 2016		December 31, 2015	
		Discounts and Loans	**Allowance for Doubtful Accounts**	**Discounts and Loans**	**Allowance for Doubtful Accounts**
With objective evidence of impairment	Individually assessed for impairment	$ 1,666,013	$ 201,768	$ 1,642,625	$ 190,588
	Collectively assessed for impairment	310,587	88,853	264,011	56,511
With no objective evidence of impairment	Collectively assessed	283,637,644	2,906,673	279,691,276	2,549,761

Note: The loans are those originated by the Company and are not net of the allowance for credit losses and adjustments for discount (premium).

Receivables

		December 31, 2016		December 31, 2015	
		Receivables	**Allowance for Doubtful Accounts**	**Receivables**	**Allowance for Doubtful Accounts**
With objective evidence of impairment	Individually assessed for impairment	$ 543,382	$ 265,653	$ 7,568	$ 3,364
	Collectively assessed for impairment	1,292,073	64,253	1,451,907	66,790
With no objective evidence of impairment	Collectively assessed	16,421,021	38,340	13,871,659	43,204

Note: The receivables are those originated by the Company and are not net of the allowance for credit losses and adjustments for discount (premium).

11) Analysis of impairment for financial assets

On the basis of the result of a credit evaluation, the Company 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 Company's internal rules. The Company'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 Company, regularly reviews liquidity risk management policies. The Asset/Liability Management Committee, the top liquidity risk executive of the Company, 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 Company'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 Company 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 Company's liquidity position to the Asset/Liability Management Committee monthly and report the Company'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 financial liabilities:

a) For maintaining solvency and meeting the needs of emergency assistance arrangements, the Company holds cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets, and debt instruments with no active market, etc.

b) The Company disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet dates. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

i. The maturity analysis of financial liabilities

	December 31, 2016					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Due to the Central Bank and call loans to other banks	$ 4,732,107	$ 1,678,665	$ 1,123,745	$ 28,300	$ 826,495	$ 8,389,312
Securities sold under agreements to repurchase	28,239,364	589,823	44,950	-	-	28,874,137
Accounts payables	5,294,808	926,272	573,736	164,487	22,161	6,981,464
Deposits and remittance	37,753,552	46,204,095	52,523,343	108,635,052	186,502,873	431,618,915
Bank debentures	-	-	-	-	11,200,000	11,200,000
Bonds payable	-	-	-	-	1,135,884	1,135,884
Other liabilities	2,781,545	1,553,994	148,216	304,287	1,807,705	6,595,747

	December 31, 2015					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Due to the Central Bank and call loans to other banks	$ 106,164	$ 1,263,273	$ 1,285,345	$ 226,688	$ 900,506	$ 3,781,976
Securities sold under agreements to repurchase	26,657,149	285,006	44,781	-	-	26,986,936
Accounts payables	2,235,191	1,210,736	483,168	114,679	18,224	4,061,998
Deposits and remittance	32,806,499	42,911,683	68,683,111	113,340,860	163,275,953	421,018,106
Bank debentures	-	-	-	900,000	8,700,000	9,600,000
Bonds payable	-	-	-	-	604,397	604,397
Other liabilities	2,570,840	207,660	194,655	226,025	1,590,612	4,789,792

ii. The maturity analysis of derivatives financial liabilities - forward exchange contracts and currency swap contracts

	December 31, 2016					
	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	$ 3,058,981	$ 662,483	$ 421,300	$ 176,211	$ -	$ 4,318,975
Cash inflow	3,038,160	652,804	416,978	173,221	-	4,281,163
Subtotal	20,821	9,679	4,322	2,990	-	37,812
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 20,821	$ 9,679	$ 4,322	$ 2,990	$ -	$ 37,812

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

iii. The maturity analysis of derivatives financial liabilities-option contracts

	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	$ (1,318)	$ (3,018)	$ (2,567)	$ (3,924)	$ -	$ (10,827)

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

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 Company 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 Company'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 Company 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 Company'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 2016 and 2015, 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 $(98,890) thousand and $192,597 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 of significant foreign financial assets and liabilities is as follows:

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

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 2,602,786	32.279	$ 84,015,342
JPY	19,737,491	0.2757	5,441,626
GBP	2,149	39.6192	85,123
AUD	117,932	23.3087	2,748,838
HKD	195,029	4.1622	811,757
CAD	15,701	23.9281	375,698
CNY	468,192	4.6219	2,163,913
SGD	2,547	22.3075	56,808
ZAR	740,320	2.6379	1,952,854
CHF	1,229	31.5533	38,774
THB	507	0.9011	456
NZD	23,878	7.1955	171,814
EUR	26,141	33.9091	886,431
Financial liabilities			
USD	2,179,910	32.279	70,365,333
JPY	14,405,613	0.2757	3,971,627
GBP	7,184	39.6192	284,610
AUD	117,806	23.3087	2,745,893
HKD	178,256	4.1622	741,944
CAD	15,758	23.9281	377,068
CNY	471,818	4.6219	2,180,670
SGD	2,611	22.3075	58,234
ZAR	739,785	2.6379	1,951,442
CHF	1,234	31.5533	38,941
NZD	23,918	7.1955	172,103
EUR	37,181	33.9091	1,206,766

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 2,035,288	33.0660	$ 67,298,830
JPY	10,580,505	0.2747	2,906,740
GBP	3,473	49.0501	170,371
AUD	97,214	24.1712	2,349,785
HKD	179,075	4.2664	764,008
CAD	14,106	23.8399	336,283
CNY	660,206	5.0326	3,322,531

(Continued)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
SGD	$ 2,114	23.4162	$ 49,504
ZAR	671,410	2.1257	1,427,247
CHF	65	33.4304	2,172
THB	127	0.9162	116
NZD	23,922	22.6800	542,552
EUR	5,220	36.1478	188,697
Financial liabilities			
USD	1,706,942	33.0660	56,441,732
JPY	10,476,163	0.2747	2,878,074
GBP	3,380	49.0501	165,784
AUD	96,993	24.1712	2,344,438
HKD	146,953	4.2664	626,964
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)

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, 2016					
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	$ 7,054,785	$ 7,073,524	$ 7,054,785	$ 7,073,524	$ (18,739)
Available-for-sale financial assets Securities sold under repurchase agreements	14,636,448	13,634,152	14,636,448	13,634,152	1,002,296
Debt instruments with no active market Securities sold under repurchase agreements	10,163,828	8,166,461	10,438,839	8,166,461	2,272,378

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, 2016						
Financial Assets	**Gross Amount of Recognized Financial Asset (a)**	**Gross Amount of Recognized Financial Liabilities 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	$ 442,642	$ -	$ 442,642	$ 6,187	$ -	$ 436,455

December 31, 2016						
Financial Liabilities	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount of Recognized Financial Assets 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	$ 39,523	$ -	$ 39,523	$ 1,639	$ -	$ 37,884

December 31, 2015						
Financial Assets	**Gross Amount of Recognized Financial Asset (a)**	**Gross Amount of Recognized Financial Liabilities 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 Assets 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

49. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

Under the regulations set by the authorities, the Company complies with the requirements set each year for the minimum consolidated capital adequacy ratios, including the common equity Tier I capital ratio; the Company'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, 2016	
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		$ 30,419,225	$ 29,751,735
	Other Tier 1 capital		1,664,565	2,378,925
	Tier 2 capital		6,851,336	9,629,432
	Eligible capital		38,935,126	41,760,092
Risk-weighted assets	Credit risk	Standard	248,206,553	258,443,901
		Internal rating-based approach	-	-
		Asset securitization	919,153	919,153
	Operational risk	Basic indicator approach	17,384,500	19,969,925
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	22,483,575	23,893,763
		Internal model approach	-	-
	Total risk-weighted assets		288,993,781	303,226,742
Capital adequacy rate			13.47%	13.77%
Ratio of common stockholders' equity to risk-weighted assets			10.53%	9.81%
Ratio of Tier 1 capital to risk-weighted assets			11.10%	10.60%
Leverage ratio			5.68%	5.57%

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 Tier 1 capital to risk-weighted assets = (Common equity Tier 1 capital + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure Measurement

(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%

The Banking Law and related regulations require that the Bank maintain its unconsolidated and consolidated CARs at a minimum of 8.625%, the Tier 1 Capital Ratio at a minimum of 6.625% and the Common Equity Tier 1 Ratio at a minimum of 5.125%. 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.

50. 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 5.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2016			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group U - real estate development	$ 1,728,080	4.81
2	Company B - other financial intermediation	1,623,773	4.52
3	Company V - other telecommunications market	1,499,844	4.17
4	Group D - real estate development	1,495,115	4.16
5	Group H - retail of other food and beverages	1,248,800	3.47
6	Company T - real estate development	891,380	2.48
7	Company O - financial intermediation	865,000	2.41
8	Company T - real estate development	708,000	1.97
9	Group F - manufacture of chemical material	630,185	1.75
10	Company P - renting and leasing of other transport equipment	618,000	1.72

(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 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

b. Market risk

Interest Rate Sensitivity
December 31, 2016

(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	$ 303,648,998	$ 13,621,567	$ 16,719,210	$ 65,246,623	$ 399,236,398
Interest rate-sensitive liabilities	163,766,946	148,972,674	66,453,129	20,884,794	400,077,543
Interest rate-sensitive gap	139,882,052	(135,351,107)	(49,733,919)	44,361,829	(841,145)
Net worth					36,171,130
Ratio of interest rate-sensitive assets to liabilities					99.79%
Ratio of interest rate sensitivity gap to net worth					(2.33%)

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%)

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, 2016

(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	$ 89,734	$ 53,035	$ 118,086	$ 2,290,955	$ 2,551,810
Interest rate-sensitive liabilities	978,992	248,275	376,550	337,223	1,941,040
Interest rate-sensitive gap	(889,258)	(195,240)	(258,464)	1,953,732	610,770
Net worth					33,054
Ratio of interest rate-sensitive assets to liabilities					131.47%
Ratio of interest rate sensitivity gap to net worth					1,847.79%

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%

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, 2016	Year Ended December 31, 2015
Return on total assets	Before income tax	0.63	0.76
	After income tax	0.51	0.63
Return on equity	Before income tax	9.11	11.25
	After income tax	7.44	9.33
Net income ratio		26.61	31.83

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, 2016 and 2015.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2016

(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	$ 437,112,956	$ 111,586,563	$ 28,350,870	$ 38,197,116	$ 74,328,205	$ 184,650,202
Main capital outflow on maturity	529,154,086	55,838,927	52,344,727	62,887,509	137,719,453	220,363,470
Gap	(92,041,130)	55,747,636	(23,993,857)	(24,690,393)	(63,391,248)	(35,713,268)

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)

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, 2016

(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	$ 2,734,149	$ 126,023	$ 91,909	$ 59,878	$ 115,787	$ 2,340,552
Main capital outflow on maturity	2,346,293	1,059,256	245,393	269,163	401,994	370,487
Gap	387,856	(933,233)	(153,484)	(209,285)	(286,207)	1,970,065

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

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).

51. 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: The Company - not applicable; investee - Table 1 (attached)

2) Endorsement/guarantee provided: None

3) Marketable securities held: The Company - 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: Table 3 (attached)

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

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

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: Table 4 (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 5 (attached)

12) Names, locations and other information of investees on which the Bank exercises significant influence: Table 6 (attached)

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

c. Intercompany relationships and significant intercompany transactions.

The detailed information of intercompany relationships and significant intercompany transactions are referred to Table 7 (attached).

52. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

a. Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury business, etc.

b. Consumer banking unit: Consumer banking, financial management and loan business, credit card business and car-loan business, etc.

c. Wealth management and trust unit: Wealth management and trust business, etc.

d. Investing unit: Investing business in the financial market, etc.

e. Leasing unit: Leasing of vehicles, buildings, etc.

The analysis of the Bank's operating revenue and results by reportable segment was as follows:

	For the Year Ended December 31, 2016						
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	Total
Net interest (Note)	$ 1,169,036	$ 2,508,959	$ (286)	$ 1,452,931	$ (98,413)	$ 1,436,041	$ 6,468,268
Net commissions and fees revenues	107,952	636,668	1,094,059	160,161	(1,015)	425,664	2,423,489
Net revenues other than interest	531,466	(6,102)	3,553	416,710	2,251,983	(77,707)	3,119,903
Total net revenues	1,808,454	3,139,525	1,097,326	2,029,802	2,152,555	1,783,998	12,011,660
Provisions (reversal)	(18,109)	(12,182)	-	(32,240)	-	234,073	171,542
Operating expenses	771,806	2,331,776	544,057	198,413	1,950,717	2,732,562	8,529,331
Income before income tax	$ 1,054,757	$ 819,931	$ 553,269	$ 1,863,629	$ 201,838	$ (1,182,637)	$ 3,310,787

	For the Year Ended December 31, 2015						
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	Total
Net interest (Note)	$ 959,272	$ 2,168,588	$ 229	$ 1,345,426	$ (92,164)	$ 1,877,355	$ 6,258,706
Net commissions and fees revenues	95,070	637,171	972,753	187,058	(844)	388,188	2,279,396
Net revenues other than interest	550,238	(2,555)	7,525	(84,546)	2,108,170	623,788	3,202,620
Total net revenues	1,604,580	2,803,204	980,507	1,447,938	2,015,162	2,889,331	11,740,722
Provisions (reversal)	(105,479)	(128,232)	-	113,141	-	6,628	(113,942)
Operating expenses	761,960	2,155,895	473,312	188,881	1,824,537	2,609,815	8,014,400
Income before income tax	$ 948,099	$ 775,541	$ 507,195	$ 1,145,916	$ 190,625	$ 272,888	$ 3,840,264

Note: Include interest revenue of financial assets at fair value through profit or loss.

UNION BANK OF TAIWAN AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	$ 1,622,862 (JPY 5,866,335)	$ 1,023,836 (JPY 3,713,588)	$ 1,622,862 (JPY 5,866,335)	1.50	Business transaction	$ 1,023,836	-	$ -	-	$ -	$ 2,604,833	$ 2,604,833
			Affiliates of receivable	214,138 (US$ 6,634)	214,138 (US$ 6,634)	214,138 (US$ 6,634)	1.50	Business transaction	214,138	-	-	-	-	2,604,833	2,604,833
2	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Affiliates of receivable	741,469 (JPY 2,689,404)	741,469 (JPY 2,689,404)	741,469 (JPY 2,689,404)	1.50	Business transaction	741,469	-	-	-	-	2,604,833	2,604,833
		Uflc Capital (Singapore) Holding Pte. Ltd.	Affiliates of receivable	1,503,861 (JPY 5,454,700)	1,503,861 (JPY 5,454,700)	1,503,861 (JPY 5,454,700)	1.50	Business transaction	1,503,861	-	-	-	-	2,604,833	2,604,833
			Affiliates of receivable	646 (US$ 20)	646 (US$ 20)	646 (US$ 20)	1.50	Business transaction	646	-	-	-	-	2,604,833	2,604,833
		Kabushiki Kaisha UCJ1 (Japan)	Affiliates of receivable	404,139 (JPY 1,465,865)	404,139 (JPY 1,465,865)	404,139 (JPY 1,465,865)	2.75	Business transaction	404,139	-	-	-	-	2,604,833	2,604,833
3	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Affiliates of receivable	907,053 (JPY 3,290,000)	609,793 (JPY 2,211,800)	907,053 (JPY 3,290,000)	2.75	Business transaction	609,793	-	-	-	-	2,604,833	2,604,833

UNION BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(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, 2016				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	Stock							
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	931	$ 8,361	0.06	$ 8,361	Note 4
	China Chemical Corporation	-	Available-for-sale financial assets	356	6,486	0.12	6,486	Note 4
	Hey-Song Corporation	-	Available-for-sale financial assets	4,486	144,898	1.12	144,898	Note 4
	CTBC Financial Holding Co., Ltd.	-	Available-for-sale financial assets	4,517	79,733	0.023	79,733	Note 4
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	509,596	100.00	509,596	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investment - equity method	-	85,166	100.00	85,166	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33	7,480	Note 1
	Beneficial certificates							
	Union Advantage Global FI Portfolio Fund	-	Available-for-sale financial assets	6,610	108,366		108,366	Note 4
	Union Golden Balance Fund	-	Available-for-sale financial assets	1,386	22,942		22,942	Note 4
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Unquoted equity instruments	2,646	23,411	14.70	28,981	Note 3
Union Securities Investment Trust Corporation (USITC)	Stock							
	Fundrish Securities Co., Ltd.	-	Unquoted equity instruments	330	3,300	0.94	2,673	Note 2
	Beneficial certificates							
	Union Advantage Global FI Portfolio Fund	-	Financial assets at fair value through profit or loss	1,068	17,504		17,504	Note 4
	Union Emerging Asia Bond A	-	Financial assets at fair value through profit or loss	486	5,560		5,560	Note 4
	Union Money Market	-	Financial assets at fair value through profit or loss	1,459	19,092		19,092	Note 4
	Union Golden Balance Fund	-	Financial assets at fair value through profit or loss	575	9,526		9,526	Note 4
	Union Emerg Res-rich Countries HYBd A	-	Financial assets at fair value through profit or loss	800	8,728		8,728	Note 4
	Union China	-	Financial assets at fair value through profit or loss	1,006	18,151		18,151	Note 4
	Union Technology Fund	-	Financial assets at fair value through profit or loss	1,460	12,819		12,819	Note 4
	Union APEC Balanced A	-	Financial assets at fair value through profit or loss	1,001	11,301		11,301	Note 4
	Union Global ETF Fund	-	Financial assets at fair value through profit or loss	513	5,026		5,026	Note 4
	Union Asian High Yield Bond A		Financial assets at fair value through profit or loss	1,451	15,056		15,056	Note 4
Union Finance International (HK) Limited	Bond							
	HBOS Capital Funding LP	-	Available-for-sale financial assets	900 units	US$ 909		US$ 909	Note 4

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Stock							
	ING Group N.V.	-	Available-for-sale financial assets	33	US$ 844		US$ 844	Note 4
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	17	US$ 2,016		US$ 2,016	Note 4
	Merck & Co., Inc.	-	Financial assets at fair value through profit or loss	12	US$ 689		US$ 689	Note 4
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US$ 406		US$ 406	Note 4
	Penn West Energy	-	Financial assets at fair value through profit or loss	119	US$ 211		US$ 211	Note 4
	Stock							
New Asian Ventures Ltd.	Grace T.H.W. Holding Limited	-	Unquoted equity instruments	1,667	$ 64,320	0.74	US$ 2,335	Note 2
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding PTE. LTD.	Subsidiary	Equity investment - equity method	-	JPY 2,705	100.00	JPY 2,705	Note 5
	Uflc Capital (Singapore) Holding PTE. Ltd.	Subsidiary	Equity investment - equity method	-	JPY 3,767	100.00	JPY 3,767	Note 5
Union Capital (Singapore) Holding PTE. LTD.	Kabushiki Kaisha UCJ1	Subsidiary	Equity investment - equity method	9	JPY 463,212	30.55	JPY 463,212	Note 5
	Tokutei Mokuteki Kaisha SSG15	Subsidiary	Equity investment - equity method	Note 7	JPY 751,077	49.00	JPY 751,077	Note 5
Kabushiki Kaisha UCJ1	Tokutei Mokuteki Kaisha SSG15	Subsidiary	Equity investment - equity method	Preferred stock 15	JPY 781,681	51.00	JPY 781,681	Note 5
	Tokutei Mokuteki Kaisha SSG12	Subsidiary	Equity investment - equity method	Note 9	JPY 998,201	51.00	JPY 998,201	Note 5
	Tokutei Mokuteki Kaisha SSG16	Subsidiary	Equity investment - equity method	Preferred stock 26	JPY 1,295,762	51.00	JPY 1,295,762	Note 5
Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	Subsidiary	Equity investment - equity method	21	JPY 1,053,097	69.45	JPY 1,053,097	Note 5
	Tokutei Mokuteki Kaisha SSG12	Subsidiary	Equity investment - equity method	Note 8	JPY 959,107	49.00	JPY 959,107	Note 5
	Tokutei Mokuteki Kaisha SSG16	Subsidiary	Equity investment - equity method	Note 6	JPY 1,244,999	49.00	JPY 1,244,999	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, 2015.
b. New Asian Ventures Ltd. and Union Capital (Cayman) Corp. - the audited statements of stockholders' equity as of December 31, 2016.

Note 2: Union Securities Investment Trust. Corporation (USITC):

Fundrish Securities Co., Ltd.- the audited statements of stockholders' equity as of December 31, 2016.

New Asian Ventures Ltd.:

Grace T.H.W. Holding Limited - unaudited statements of stockholders' equity as of December 31, 2016.

Note 3: Union Information Technology Corporation:

ELTA Technology Co., Ltd. - unaudited statements of stockholders' equity as of December 31, 2016.

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.

(Continued)

Note 5: Union Capital (Singapore) Holding PTE. LTD, Uflc Capital (Singapore) Holding PTE. Ltd. and Tokutei Mokuteki Kaisha SSG15 - the audited statements of stockholders' equity as of September 30, 2016.

Kabushiki Kaisha UCJ1, Tokutei Mokuteki Kaisha SSG12 and Tokutei Mokuteki Kaisha SSG16 - unaudited statements of stockholders' equity as of September 30, 2016.

Note 6: Common stock 1 shares and preferred stock 25 thousand shares.

Note 7: Common stock 1 shares and preferred stock 14 thousand shares.

Note 8: Common stock 1 shares and preferred stock 19 thousand shares.

Note 9: Preferred stock 20 thousand shares.

(Concluded)

TABLE 3

UNION BANK OF TAIWAN AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference (Note 1)	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Tokutei Mokuteki Kaisha SSG12	Investment property - land and building	2016.1.29	JPY 3,753,600	JPY 3,753,600	サンフロンティア不動産株式会社	Non-related	Display	Display	Display	$ -	By appraisal report	Operating lease assets	Note 2
Tokutei Mokuteki Kaisha SSG16	Investment property - land and building	2016.3.30	JPY 2,402,845	JPY 2,402,845	Kasama Tekkou Kabushiki Kaisha	Non-related	Display	Display	Display	-	By appraisal report	Operating lease assets	Note 2
Union Bank of Taiwan	Property - land	2016.8.5	423,916	423,916	New Taipei City Government	Non-related	Display	Display	Display	-	Bid	Construct business office	-

Note 1: The appraisal amount of the investment property of Tokutei Mokuteki Kaisha SSG12 and Tokutei Mokuteki Kaisha SSG16 was JPY4,000,000 thousand and JPY2,790,000 thousand respectively, based on the valuations made by independent qualified professional appraisers.

Note 2: In a real estate securitized preferred stock issued by Tokutei Mokuteki Kaisha SSG12 and Tokutei Mokuteki Kaisha SSG16, Kabushiki Kaisha UCJ1and Uflc Capital (Singapore) Holding PTE. Ltd (both owned by Union Capital (Cayman) Corp.) invested.

UNION BANK OF TAIWAN AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(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	$ 1,237,974 (JPY 3,713,588) (US$ 6,634)	-	$ -	-	$ -	$ -
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding PTE. LTD.	Subsidiary	741,469 (JPY 2,689,404)	-	-	-	-	-
	Uflc Capital (Singapore) Holding PTE. Ltd.	Subsidiary	1,504,507 (JPY 5,454,700) (US$ 20)	-	-	-	-	-
	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	404,139 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding PTE. LTD.	Kabushiki Kaisha UCJ1(Japan)	Subsidiary	609,793 (JPY 2,211,800)	-	-	-	-	-

UNION BANK OF TAIWAN AND SUBSIDIARIES

ASSET QUALITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2016				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 94,244	$ 75,045,075	0.13%	$ 1,276,561	1,056.99%
	Unsecured		26,529	57,311,972	0.05%		
Consumer banking	Housing mortgage (Note 4)		57,784	122,449,989	0.05%	1,543,728	2,671.55%
	Cash card		1,047	60,542	1.73%	2,579	246.32%
	Small scale credit loans (Note 5)		64,924	13,535,125	0.48%	167,511	258.01%
	Other (Note 6)	Secured	28,153	15,998,751	0.18%	206,915	713.04%
		Unsecured	866	2,836,563	0.03%		
Loan			273,547	287,238,017	0.10%	3,197,294	1,168.83%
			Nonperforming Receivable (Note 1)	Receivable	Ratio of Nonperforming Receivable	Allowance for Possible Losses	Coverage Ratio
Credit cards			40,754	13,959,135	0.29%	98,445	241.56%
Accounts receivable factored without recourse (Note 7)			-	799,844	0.00%	3,504	-

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

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

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

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

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

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

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

Not reported as nonperforming loans or nonperforming receivables

Items / Types	December 31, 2016	
	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)	$ 56,493	$ 234,830
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	67,968	798,500
Total	124,461	1,033,330

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

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

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

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

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

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

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

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

Not reported as nonperforming loans or nonperforming receivables

Types / **Items**	**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).

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees				Note
						Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (Thousands)	Percentage of Ownership (%)	
Financial-related										
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	$ 2,604,833	$ 143,194	105,000	-	105,000	100.00	Note 3
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	72,936	2,934	30,000	-	30,000	99.99	Note 3
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00	144,920	13,593	10,500	-	10,500	35.00	Note 3
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99	34,753	13,842	1,000	-	1,000	99.99	Note 3
Ipass Corporation	Kaohsiung	IC card	16.25	123,320	-	13,000	-	13,000	16.25	
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	0.25	13,916	-	878	-	878	0.25	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	71,250	-	6,235	-	6,235	2.04	
Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	6,000	-	600	-	600	1.00	
Nonfinancial-related										
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	53,447	(347)	2,000	-	2,000	40.00	Note 3
Fu Hua Venture Corporation	Taipei	Investments	5.00	9,852	-	990	-	990	5.00	
Li Yu Venture Corporation	Taipei	Investment	4.76	5,837	-	607	-	607	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, 2016.

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.

TABLE 7

UNION BANK OF TAIWAN AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

2016

No. (Note 1)	Transacting Corporation	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amount	Trading Terms	Percentage of Total Revenue or Total Assets (Note 3)
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - demand deposits	$ 107,524	Note 4	0.02
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - checking deposits	21,114	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - time deposits	16,063	Note 4	-
1	UFLIC and its subsidiaries	The Bank	b	Due from banks	144,701	Note 4	0.03
0	The Bank	UFLIC and its subsidiaries	a	Payables - accrued expenses	48	Note 4	-
1	UFLIC and its subsidiaries	The Bank	b	Receivables - notes and accounts receivable	48	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Payables - interest payable	7	Note 4	-
1	UFLIC and its subsidiaries	The Bank	b	Receivables - interest receivable	7	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Other liabilities	285	Note 4	-
1	UFLIC and its subsidiaries	The Bank	b	Other assets	285	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - time deposits	10,743	Note 4	-
1	UFLIC and its subsidiaries	The Bank	b	Other assets	10,743	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Receivables - interest receivable	773	Note 4	-
1	UFLIC and its subsidiaries	The Bank	b	Payables - interest payable	773	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Discounts and loans - short-term, secured	1,623,773	Note 4	0.30
1	UFLIC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	1,623,773	Note 4	0.30
0	The Bank	UFLIC and its subsidiaries	a	Interest expense	346	Note 4	-
1	UFLIC and its subsidiaries	The Bank	b	Interest revenue	346	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Other operating expenses	11,674	Note 4	0.10
1	UFLIC and its subsidiaries	The Bank	b	Rental revenue	11,674	Note 4	0.10
0	The Bank	UFLIC and its subsidiaries	a	Interest revenue	45,206	Note 4	0.38
1	UFLIC and its subsidiaries	The Bank	b	Interest expense	45,206	Note 4	0.38
0	The Bank	UFLIC and its subsidiaries	a	Rental revenue	1,545	Note 4	0.01
1	UFLIC and its subsidiaries	The Bank	b	Other operating expenses	1,545	Note 4	0.01
0	The Bank	UFLIC and its subsidiaries	a	Loss on financial assets and liabilities at fair value through profit or loss	48,950	Note 4	0.41
1	UFLIC and its subsidiaries	The Bank	b	Exchange gain	48,950	Note 4	0.41
1	UFLIC and its subsidiaries	The Bank	b	Other operating expenses			
0	The Bank	Union Finance International (HK) Limited	a	Deposits and remittances - demand deposits	605	Note 4	-
2	Union Finance International (HK) Limited	The Bank	b	Due from banks	605	Note 4	-
0	The Bank	Union Finance International (HK) Limited	a	Interest expense	8	Note 4	-
2	Union Finance International (HK) Limited	The Bank	b	Interest revenue	8	Note 4	-
0	The Bank	Union Finance International (HK) Limited	a	Other operating expenses	801	Note 4	-
2	Union Finance International (HK) Limited	The Bank	b	Net revenues other than interest	801	Note 4	-
0	The Bank	UIT	a	Deposits and remittances - demand deposits	36,843	Note 4	0.01
0	The Bank	UIT	a	Deposits and remittances - checking deposits	3	Note 4	-

(Continued)

No. (Note 1)	Transacting Corporation	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amount	Trading Terms	Percentage of Total Revenue or Total Assets (Note 3)
3	UIT	The Bank	b	Due from banks	$ 36,846	Note 4	0.01
0	The Bank	UIT	a	Deposits and remittances - time deposits	1,073	Note 4	-
3	UIT	The Bank	b	Other financial assets	1,073	Note 4	-
0	The Bank	UIT	a	Payables - interest payable	14	Note 4	-
3	UIT	The Bank	b	Receivables - interest receivable	14	Note 4	-
0	The Bank	UIT	a	Receivables - notes and accounts receivable	1,638	Note 4	-
3	UIT	The Bank	b	Payables - collection payable	1,638	Note 4	-
0	The Bank	UIT	a	Payables - accrued expenses	240	Note 4	-
3	UIT	The Bank	b	Receivables - accounts receivable	240	Note 4	-
0	The Bank	UIT	a	Receivables - accounts receivable	79	Note 4	-
3	UIT	The Bank	b	Payables - accrued expenses	79	Note 4	-
0	The Bank	UIT	a	Other liabilities	8	Note 4	-
3	UIT	The Bank	b	Other assets	8	Note 4	-
0	The Bank	UIT	a	Other assets	29,298	Note 4	0.01
3	UIT	The Bank	b	Other liabilities	29,298	Note 4	0.01
0	The Bank	UIT	a	Interest expense	43	Note 4	-
3	UIT	The Bank	b	Interest revenue	43	Note 4	-
0	The Bank	UIT	a	Commissions and fee revenues	121	Note 4	-
3	UIT	The Bank	b	Commissions and fee expenses	121	Note 4	-
0	The Bank	UIT	a	Net revenues other than interest	89	Note 4	-
3	UIT	The Bank	b	Other operating expenses	89	Note 4	-
0	The Bank	UIT	a	Other operating expenses	107,152	Note 4	0.89
3	UIT	The Bank	b	Net revenues other than interest	107,152	Note 4	0.89
0	The Bank	UIT	a	Payables - others	1,167	Note 4	-
3	UIT	The Bank	b	Receivables - accounts receivables	1,167	Note 4	-
0	The Bank	USITC	a	Deposits and remittances - demand deposits	1,041	Note 4	-
0	The Bank	USITC	a	Deposits and remittances - time deposits	29,700	Note 4	0.01
5	USITC	The Bank	b	Due from banks	30,741	Note 4	0.01
0	The Bank	USITC	a	Deposits and remittances - time deposits	219,200	Note 4	0.04
5	USITC	The Bank	b	Other financial assets	219,200	Note 4	0.04
0	The Bank	USITC	a	Payables - interest payable	145	Note 4	-
5	USITC	The Bank	b	Receivables - interest receivable	145	Note 4	-
0	The Bank	USITC	a	Receivables - accounts receivable	2	Note 4	-
5	USITC	The Bank	b	Payables - accrued expenses	2	Note 4	-
0	The Bank	USITC	a	Interest expense	2,872	Note 4	0.02
5	USITC	The Bank	b	Interest revenue	2,872	Note 4	0.02
0	The Bank	USITC	a	Commissions and fee revenues	22,616	Note 4	0.19
5	USITC	The Bank	b	Commissions and fee expenses	22,616	Note 4	0.19
1	UFLIC and its subsidiaries	USITC	c	Rental revenue	207	Note 4	-
5	USITC	UFLIC and its subsidiaries	c	Other operating expenses	207	Note 4	-
3	UIT	UFLIC and its subsidiaries	c	Net revenues other than interest	3,461	Note 4	0.03
1	UFLIC and its subsidiaries	UIT	c	Amortization expenses	2,990	Note 4	0.02
1	UFLIC and its subsidiaries	UIT	c	Other operating expenses	471	Note 4	-
2	Union Finance International (HK) Limited	Union Capital (Singapore) Holding Pte. Ltd.	c	Interest expense	1,319	Note 4	0.01
8	Union Capital (Singapore) Holding Pte. Ltd.	Union Finance International (HK) Limited	c	Interest revenue	1,319	Note 4	0.01

(Continued)

No. (Note 1)	Transacting Corporation	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amount	Trading Terms	Percentage of Total Revenue or Total Assets (Note 3)
3	UIT	USITC	c	Net revenues other than interest	$ 112	Note 4	-
5	USITC	UIT	c	Other operating expenses	112	Note 4	-
6	UFLIC	Union Capital (Cayman) Corp.	c	Receivables - receivables from related parties	1,244,553	Note 4	0.23
7	Union Capital (Cayman) Corp.	UFLIC	c	Payables - payables to related parties	1,244,553	Note 4	0.23
6	UFLIC	Union Capital (Cayman) Corp.	c	Interest revenue	24,941	Note 4	0.21
7	Union Capital (Cayman) Corp.	UFLIC	c	Interest expense	24,941	Note 4	0.21
7	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	c	Receivables - receivables from related parties	743,223	Note 4	0.14
8	Union Capital (Singapore) Holding Pte. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	743,223	Note 4	0.14
7	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Receivables - receivables from related parties	1,516,560	Note 4	0.28
10	Uflc Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	1,516,560	Note 4	0.28
7	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	c	Interest revenue	27,330	Note 4	0.23
8	Union Capital (Singapore) Holding Pte. Ltd.	Union Capital (Cayman) Corp.	c	Interest expense	14,276	Note 4	0.12
7	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Interest expense	13,054	Note 4	0.11
8	Union Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	405,273	Note 4	0.08
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding PTE. Ltd.	c	Payables - payables to related parties	405,273	Note 4	0.08
10	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	618,106	Note 4	0.12
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Payables - payables to related parties	618,106	Note 4	0.12
8	Union Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	12,475	Note 4	0.10
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding PTE. Ltd.	c	Interest expense	12,475	Note 4	0.10
10	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	8,936	Note 4	0.07
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Interest expense	8,936	Note 4	0.07

Note 1: The transacting corporation is identified in the No. column as follows:

a. 0 for parent company.
b. Sequentially from 1 for subsidiaries.

Note 2: The flow of transactions is as follows:

a. From parent company to subsidiary.
b. From subsidiary to parent company.
c. Between subsidiaries.

Note 3: The percentage is calculated as follows:

a. Assets and liabilities: Ending balance divided by total consolidated assets.
b. Income and expenses: The amount for the year ended divided by consolidated net income.

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

(Concluded)