

Union Bank of Taiwan

The Minutes of 2018 Annual Meeting of Shareholders

Date and Time: June 8, 2018 at 9:00 a.m.

Location: No. 16, Sec. 4, Jhongshan N. Rd, Taipei City

CHIANTAN OVERSEAS YOUTH ACTIVITY CENTER

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

Total outstanding shares: 2,805,152,427 shares

Total shares represented by shareholders present in person or by proxy :
2,262,006,997 shares

(Contain to exercise the right to vote number 69,415,899 by electronics)

Percentage of shares held by shareholders present in person or by proxy: 80.63%

Chairman: Director Lee, Shiang-Chang

Attend as a delegate: General manager & Director: Lin, Jeff 、 Independent Director:

Wang, Kao-Jing 、 Independent Director: Lee, Kuo-Chang 、 Independent Director:

Lu, Ren-Fa 、 Managing Director: Jiang, Cheng-Hisung 、 Director: Cao, Su-Fong 、

Director: Lin, Si-Yong 、 Vincent C. Cheng of Deloitte & Touche 、 LAW OFFICE OF

S.S. Lai ATTORNEY AT LAW: Lai, sheng-shing 、 Bright & Wise Attorneys-at-Law:

Liu, Hsueh-Feng.

1. Declare the conference : Attendant shareholder and shareholder agent represents share have already attained the legal quantity. The Chairman called the meeting to order .

2. Chairman speech : Director Lee, Shiang-Chang

3. Reports

- (1) 2017 Business Report (Please make reference to attach the form)
All attendance shareholder talks over with know.
- (2) 2017 Audit Committee Audit Report (Please make reference to attach the form)
All attendance shareholder talks over with know.
- (3) 2017 Report on Employee and Director Remuneration Distribution Status
All attendance shareholder talks over with know.
- (4) Formulate the "Corporate and Manager's Code of Ethical Conduct" report
All attendance shareholder talks over with know.

4. Approvals

Subject 1 : The 2017 business report and financial statements are submitted for approval. (Proposed by Board of Directors)

Illustration:

1. The 2017 financial statements of the Bank (including consolidated financial statements) have been audited by accountants Huang Rui Chang and Cheng Shu Rang of Deloitte & Touche and have, together with the business report, been approved by the audit committee and the 19th meeting of the 9th term of the board of directors of the Bank. They are submitted for approval.
2. Please refer to the above-cited documents in Attachment.

Resolution : This proposal vote decides the result as follows:

Attend the shareholder right to vote number while deciding (contain the electronics vote) 2,215,423,571 shares

Decide the result	Percentage of shares held by total votes
Approval votes: 2,201,969,145 (Contain the electronics vote: 46,118,601)	99.39%
Disapproval votes: 493,832 (Contain the electronics vote:493,832)	0.02%
Invalid votes: 0	0%
Abstention votes :12,960,594 (Contain the electronics vote:12,802,630)	0.59%

Proposal was approved after voting.

Subject 2: The 2017 Profit Distribution Proposal is submitted for approval. (Proposal by Board of Directors)

Illustration:

1. This profit distribution proposal relates to the 2017 distributable profit of NT\$3,653,049,067. It is proposed that the distribution be made as shown in Attachment, in accordance with the articles of association of the Bank.
 - (1) Preferred Shares cash dividend (NT\$0.45369863 per share. It is calculated according to 2017 circulating foreign days 69 days and share rate 4.8%) totaling NT\$90,739,726.
 - (2) Ordinary share cash dividend (NT\$0.7 per share) totaling NT\$1,823,606,699. Cash Dividend of Common Shares: NT\$1,042,060,971, distributed pro rata to the shareholders, NT\$ 0.4 per share. Stock Dividend of Common Shares: NT\$781,545,728, distributed pro rata to the shareholders, 30 shares for every 1,000 shares. The cash dividends will be calculated according to the distribution ratio to Yuan, and will be rounded down to the next, and the total amount of distorted zeros less than 1 yuan will be allocated to list other company income.
 - (3) Undistributed profit: NT\$1,738,702,642.
2. After the profit distribution proposal is approved by the general shareholders meeting, the board of managing directors is authorized to determine the record date for dividend distribution and to handle cash distribution related matters.
3. In accordance with the regulation of the Ministry of Finance Tai-Cao-Shui No. 871941343 date 30 April 1998, in distributing profit, individual identification should be adopted. The 2017 profit should be distributed in priority in this profit distribution.
4. If the total number of outstanding shares is subsequently changed due to buy-back of the Bank's shares or the transfer, exchange or cancellation of treasury shares or any other event, resulting in the change of dividend distribution ratio, the shareholders meeting should authorize the board of directors to carry out the change.

Resolution : This proposal vote decides the result as follows:

Attend the shareholder right to vote number while deciding (contain the electronics vote) 2,215,423,571 shares

Decide the result	Percentage of shares held by total votes
Approval votes: 2,204,441,056 (Contain the electronics vote:48,590,512)	99.50%
Disapproval votes: 476,535 (Contain the electronics vote:476,535)	0.02%
Invalid votes: 0	0%
Abstention votes :10,505,980 (Contain the electronics vote:10,348,016)	0.48%

Proposal was approved after voting.

5. Discussions

Proposal No. 1 (Proposed by Board of Directors)

Subject: Discuss the company's surplus to allocate capital to issue new share.

(Proposed by Board of Directors)

Illustration:

1. In order to enrich the company's working capital requirements, NT\$781,545,728 will be allocated under 2017's distributable earnings. The surplus was transferred to capital increase, of which NT\$781,545,720 was issued with 78,154,572 ordinary shares, and the remaining \$8 was distributed in cash because it was less than 1 share equivalent.
2. In this case, the shareholders regularly authorized and reported the approval of the competent authority to authorize the board of directors to set a base date for capital increase and share allotment. Shareholders' distribution of stock dividends is distributed pro rata according to the proportion of shares held by each ordinary shareholder recorded in the register of shareholders of ordinary shares of the company on the basis of the base day of allotment. 30 shares are issued for each thousand shares. The additional shares with less than one share of new shares are added to the shares of the company by the shareholders, and they are put together into the whole stock by the stock agent agency within 5 days from the base issue date. The undisturbed and cobbled together still less than 1 share of the abnormal shares, authorized by the company's chairman to discuss the specific person to take the denomination.
3. The new shares issued are all common shares, and their rights and obligations are the same as the ordinary shares that have already been issued, and the denomination of each share is \$10.
4. Afterwards, if you later buy back shares of the Bank, or transfer, convert or cancel the Treasury shares, or otherwise affect the total number of shares outstanding, If there is any change in the rationing ratio or interest rate, the shareholders' meeting shall authorize the board of directors to handle the changes.
5. In case of a capital increase and issuance of new shares, the shareholders' meeting shall authorize the board of directors to fully handle the change if the change of laws and regulations or the amendments made by the competent authority.

Resolution : This proposal vote decides the result as follows:

Attend the shareholder right to vote number while deciding (contain the electronics vote) 2,215,423,571 shares

Decide the result	Percentage of shares held by total votes
Approval votes: 2,204,394,165 (Contain the electronics vote:48,543,621)	99.50%
Disapproval votes: 523,267 (Contain the electronics vote:523,267)	0.02%
Invalid votes: 0	0%
Abstention votes :10,506,139 (Contain the electronics vote:10,348,175)	0.48%

Proposal was approved after voting.

Proposal No. 2 (Proposed by Board of Directors)

Subject Election of the 10th Director (including independent directors). (Proposed by the Board of Directors)

Illustration:

1. According to Articles 18 and 18-1 of the Articles of Association of the Bank, the Bank has 9 to 15 directors for a term of 3 years. The candidate nomination system can be re-elected.
2. The 9th term of the board of directors of the Bank expired on June 25, 2018. This regular meeting of shareholders elected the 9th director of the 10th session (including 3 seats of independent directors). He assumed office after the end of the regular shareholders' meeting on June 8, 2018. Until June 7, 2021, the term of office is three years. The term of office of the original director until the re-election of the board of directors at the time of the shareholders' meeting shall be suspended.
3. The board of directors of the Bank (including independent directors) elects the candidate nomination system and lists the candidates for the relevant directors (including independent directors). It was reviewed and approved by the 19th Board of Directors of the 9th Session of the Bank on March 14, 2018. Each candidate's key learning, experience, number of shares held, and other details of the list of candidates were explained.

4. List of candidates for the 10th Director (including independent directors) of the Bank:

No.	Title	Name	Education	Experience	Number of shares held (Note 1)
1	Independent Director	Wang Gao Jing	National University of Tainan BA, National Taiwan Normal University Master's	Present Position: Independent Director, Union Bank of Taiwan. Experience: Elementary National Cheng Kung University	0

			Degree, Dept. of Economics, North Dakota State University	VGM, Bank of Taiwan Chairman, Bank of Kaohsi Chairman and standing director, Credit Committee, Bank Association Director, supervisor; Hua Commercial Bank Taiwan Development Compa Director Director of Taiwan Asse Management Corporation, Director of Kaohsiung MR Corporation, Supervisor of the Republi China Industry and Comme Association, Adviser of the Financial Research Committee of th Chinese Chamber of Comme and Industry,	
2	Independent Director	Lu Ren Fa	Dept. of Laws, Soochow University 4th Echelon, Academy for the Judiciary	Present Position: Independent Director, Union Bank of Taiwan. Experience: · Taiwan High Court Tainan Branch court · Judge, Taiwan High Court · Taitung District Prosecutors Office · Taipei Prosecutors Office · Chief Prosecutor, Taiwan High Prosecutors Office · Prosecutor-General, Taiwan High	0
3	Independent Director	Li Guo Chang	Dept. of Economics, National Taiwan University	Present Position: Independent Director , Union Bank of Taiwan. Experience: VGM, Taiwan Business Bank GM, Union Securities Investment Trust Co. Ltd.	0

				Chairman, Union Securities Investment Trust Co. Ltd. Director-General, Taipei Bills Finance Association	
4	Director	Li Siang Chang	Dept. of Eco.National Taiwan University	Present Position: Chairman, Union Bank of Taiwan Experience: GM, Union Bank of Taiwan	1,349,939
5	Director	Chuan Cheng Investment Co., Ltd. (represented by: Jiang Cheng Hisung)	National Defense Medical Center	Present Position: Managing Director, Union Bank of Taiwan Experience: Commissioner, International Rotary Taiwan Rotary Club Association	129,275,599
6	Director	Union Enterprise Construction Co., Ltd. (representative : Lin, Jeff)	San Francisco State University Master 's Degree, National Taiwan University	Present Position: GM, Union Bank of Taiwan Experience: Director, Union Bank of Taiwan	90,901,025
7	Director	Yo Bang Co., Ltd. (represented by: Cao Su Fong)	National Taipei College of Business	Present Position: Director, Union Bank of Taiwan Experience: Director, Tien Sheng Investment Co., Ltd.	37,972,999
8	Director	Li Yu Chuan	National Taiwan Normal University	Present Position: Director, Union Bank of Taiwan Experience: Supervisor, First Commercial Bank	3,519,017
9	Director	Bai Sheng Investment Co., Ltd. (represented by: Lin Si Yong)	National Taiwan Normal University	Present Position: Director, Union Bank of Taiwan Experience: Director, Hong-Bung Construction Enterprise Co., Ltd.	141,148,618

Note 1: The number of shares (including Preferred shares) held by the candidates for directorship is the number of shares held in the shareholders' list of the company as of the closing date of this shareholder meeting (April 10, 2018).

Note 2: Independent Director candidates Wang Gao Jing and Lu Ren Fa of the Company are the current independent directors of the company and have served consecutive terms for 3 terms. Wang Gao Jing has served in the VGM Bank of Taiwan, Director, and supervisor Hua Nan Commercial Bank. Chairman Bank of Kaohsiung, The financial industry has been rich in experience and experience for more than 49 years. He has frequently raised suggestions in the board of directors and the board of directors. He has provided many guidances on corporate governance and operations and has helped many; Lu Ren Fa has served as Prosecutor-General Taiwan High. Independence, which has made significant achievements in the company's legal compliance business. The two independent directors meet the requirements for independence before and during their election, and they have the knowledge, skills, and qualities necessary to carry out their business and the professionalism that they should possess.

Election results:

Elected Director of the 10th Director (including Independent Directors):

Account numbers	Name	Election weight	Note
276	Li Siang Chang	2, 237, 737, 268	Elected director
42555	Chuan Cheng Investment Co., Ltd. (represented by: Jiang Cheng Hisung)	2, 219, 517, 848	Elected director
22	Union Enterprise Construction Co., Ltd. (representative : Lin, Jeff)	2, 214, 698, 458	Elected director
8	Yo Bang Co., Ltd. (represented by: Cao Su Fong)	2, 204, 930, 337	Elected director
224	Li Yu Chuan	2. 201, 800, 538	Elected director
32154	Bai Sheng Investment Co., Ltd. (represented by: Lin Si Yong)	2, 201, 770, 987	Elected director
R10221****	Wang Gao Jing	2, 185, 340, 848	Elected Independent director
M10006****	Lu Ren Fa	2, 183, 238, 339	Elected Independent director
F10009****	Li Guo Chang	2, 180, 446, 700	Elected Independent director

Proposal No. 3 (Proposed by Board of Directors)

Subject: Release of the 10th term Board of Directors from Non-Competition Restrictions
(Proposed by the Board of Directors)

Illustration:

1. According to Article 209, Article 1 of the company law: "Directors for their own or others within the scope of the company's operations, the shareholders meeting will explain the important content of their actions and obtain their permission" for handling.
2. If a new director of the Bank participates in other business activities with the same or similar business scope of the Bank, he shall submit to the shareholders' meeting in accordance with Article 209 of the Company Law the consent to lift the restriction on the non-competition of the new director and his representative (Details such as selection After the meeting of shareholders to disclose the schedule).

Title	NAME	Part-time position in other companies
director	Li Siang Chang	Union Finance Int' l (HK)Ltd. Director Taiwan Futures Exchange Supervisor
director	Union Enterprise Construction Co., Ltd. (representative : Lin, Jeff)	Union Finance Int' l (HK)Ltd. Director

Resolution : This proposal vote decides the result as follows:

Attend the shareholder right to vote number while deciding (contain the electronics vote) 2,215,423,574shares

Decide the result	Percentage of shares held by total votes
Approval votes: 2,161,745,570 (Contain the electronics vote:5,895,026)	97.58%
Disapproval votes: 42,773,291 (Contain the electronics vote:42,773,291)	1.93%
Invalid votes: 0	0%
Abstention votes :10,904,713 (Contain the electronics vote:10,746,746)	0.49%

Proposal was approved after voting.

6. Motions : none

Inquire to have no other temporary suggestions, The chairman declares the meeting be over.

7. Adjournment : June 8, 2018 at 10:07a.m.

Chairman : Lee, Shiang-Chang

Record : Ying-Ching Chen

In the event of inconsistencies between versions, the Mandarin Chinese version shall prevail.

2017 Business Report

1. Domestic and Overseas Financial Status

In 2017, due to the cyclical recovery of global trade and the loosening of the financial environment, the stability of commodity prices was stabilized. The recovery of advanced economies continued to increase, boosting the confidence of the private economy and escaping deflationary deficiencies. Emerging and developing economies also maintained strong growth.

The global economy will continue the cyclical recovery of the past. In particular, the US tax reform and related fiscal policies will help boost domestic demand and bring positive spillover effects to major trading partners. Emerging economies will benefit global commodity prices. It can sustain its economic growth, but the impact of major national monetary policies on global financial markets, rise of trade protectionism, heightened geopolitical risks in the Middle East and North Korea, and corporate debt problems in mainland China will continue to be uncertain in the future.

In 2018, the domestic and overseas temperatures and recovery led to a rise in corporate capital demand, mainly due to the government's industrial lending incentive plan and the US interest rate hike that drove the international interest rate to stop falling, making the interest rate bottom out; plus China's banking industry lending Structural adjustments, expansion of SME customers, growth in interest margins, high yields, and mastery of real customer needs are all favorable factors for China's banking industry operations. On the whole, in addition to the aforementioned factors, the HKMA continues to cooperate with the government's new southward policy and actively assists domestic financial industry players in expanding their overseas markets in order to enhance the overall competitiveness of China's financial services industry and industries. The financial markets of emerging Asian countries can be developed. Large, it also attracts China's banking industry to the layout, the future market is expected to have significant expansion and business growth.

2. 2017 Operating Results and Main Business Status

With the joint effort by all employees of the Bank in 2017, good performance has been demonstrated in terms of various operational benchmarks. In terms of profitability, the 2017 net profit after tax is NT\$2.745 Billion. The earnings per share after tax (EPS) is NT\$1.05. Total asset rate of return (ROA) is 0.51%. Net value rate of return (ROE) is 6.55%. In terms of asset quality, the overdue lending ratio is 0.12%. Bad debt coverage ratio is 887.26%. Asset quality is maintained at a good level.

For years, the Bank has continuously developed different businesses with

stable growth and under an operational strategy of in-depth local efforts. On 18 January 2018, the long-term and short-term credit of the Bank was rated “twA/twA-1” by Taiwan Ratings Corporation. Each rating perspective remains “stable”. Overall, the Bank’s operational status, capital, profitability level and asset quality are well acknowledged. Below is a summary report on the operational status of the Bank’s main businesses in 2017:

(1) Deposits

In 2017, the balance of foreign currency deposits in Taiwan was RMB 450.6 billion, an increase of RMB 17.2 billion from 2016, with a growth rate of 3.98%. In terms of deposit structure, the balance of current deposits was RMB 205.3 million, accounting for 45.56% of the total deposits, and the balance of regular deposits was RMB 245.3 billion, accounting for 54.44% of the total deposits.

(2) Lending

In 2017, the balance of Taiwan’s foreign currency loans was RMB 323.3 billion, an increase of RMB 36.1 billion from RMB 287.2 billion at the end of 2016, with a growth rate of 12.57%. Among them, the guarantee loan was NT\$238.2 billion, accounting for 73.68% of the total, while the unsecured loan was NT\$85.1 billion, accounting for 26.32% of the total loan.

(3) Credit Card

Launched the "Even Day 2% Reward" brush promotion campaign. Concentrated consumption drove growth in the average amount of spending per card, resulting in an increase in demand for instalments. The amount of instalment spending grew by 14.8% compared to the same period in 2016, accounting for approximately 8% of the overall spending. In addition, the Bank reinforced the “basic refueling, mass merchandising stores, online shopping, 3C physical access, and department store access” to increase the amount of spending on credit card spending. In 2017, the total credit card spending amounted to RMB 85.8 billion, an increase of 11.43% from 2016. Repackaging specific high-end cards, continuing effective card activation, strengthening cooperation with the second transportation ticket, and introducing new payment tools, such as mobile payment, to develop new customers and increase the effective card rate. The number of circulation cards as of December 2017 was approximately 2.03 million cards.

Mobile payment services such as Apple Pay, Samsung Pay, Android Pay, and Hami Wallet NFC sensory payment have been launched successively. As of the end of 2017, the number of Token circulations in the three markets that support all mobile payment has exceeded 110,000. The spending amounted to about 600 million yuan.

(4) Fortune Management

The number of wealth management households in 2017 increased by 8.43%

compared to 2016, and the average monthly balance of total assets under management increased by 9.51% from 2016. In the operating income segment, revenue from certain money trust business increased by 53.52% compared with last year, and insurance business decreased by 32.96% compared with the same period of last year. The Bank will provide customers with more diversified financial product options, expand the product lines of specific money trusts and insurances, and increase overall financial management revenue.

(5) Operating Performance

The net interest income in 2017 is NT\$6.685 Billion. Non-interest net income is NT\$3.603 Billion. Total net income is NT\$10.288 Billion, After deduction of bad debt provision of NT\$357Million and operating cost of NT\$6.618 Billion, the profit before tax is NT\$3.313Billion, and after tax is NT\$2.745 Billion.

(6) Corporate Image

In 2017, "Best Friends in a Lifetime" was used as the main axis to launch brand image advertisements in order to convey that the Bank is as much a companion and caring customer as a good friend forever. Emphasizing corporate social responsibility, the Bank continued to invest in social charity activities, which mainly included donation of the Heishall Orchestra performance and work training program, funding of Hope Children's Choir to go overseas, sponsorship of training funds for the Middle East Mountain High School basketball team, and insufficiency of economic and educational resources. Children learn to break through their own self and play talent; Sponsored the Kaohsiung Spring Festival and the most high New Year City in Taipei to participate in the creation of the Art City; adopted the Taiwan Conservation Animal Ring and the Stone Tiger; organized a children's drawing competition and a children's wealth management camp to combine sports and environmental protection; and committed to cultivating children's art and financial knowledge. , health and ecological conservation concepts; continued cooperation in launching the "Taiwan Story - Taiwan Heritage Special Edition" TV program to promote Taiwan's local cultural heritage; and took part in sponsoring the Kaohsiung City Government to organize an "Eco-Transportation Global Festival" international event to promote low growth. Carbon and energy-saving living environment enhance international visibility.

3. 2018 Operational Plan and Development Guidelines by Business

- (1) With competitive and innovative services, we are actively expanding the scale of our business; in terms of business objectives, we are committed to our unremitting local service spirit and establish long-term relationships with our customers

to create a win-win situation:

1. Deposit business: In response to e-payment trends, strengthen the VISA financial card and account functions (opening “A/C LINK” , “Apple Pay Debit Card” and other services) to provide depositors with a full range of payment tools; strengthen the ATM function (starting) “ATM Cross-bank Deposit” and “One-Card Ticket Preservation Function” to provide customers with diversified services; continue to organize VISA financial card swiping marketing activities to enhance customer’s adhesiveness and current deposits; plan deposit activity programs for target customers. To strengthen the absorption of current deposits and expand new customers.
2. Corporate finance and foreign exchange business: Actively expanding MIT companies, strengthening visits to existing credit grant holders, introducing upstream and downstream manufacturers through customers, and increasing business opportunities, and often visiting branches or factories (businesses) in nearby branches to visit customers or industrial areas The Management Office strives for credit exchanges; continuously strengthens the development of industrial and commercial enterprise loans; prioritizes loans for self-reimbursement and production-oriented businesses; and increases creditor’ s rights protection through letter and security funds and the acquisition of quality collateral; Loans; develop foreign exchange business sources, expand import and export and exchange transactions to improve foreign exchange earnings and market share.
3. Consumer Finance: Steady promotion of mortgage credit business, with a focus on customers who are resident and capable of qualifications and repayment ability as the main target; increase the amount of loans for middle-wheeler vehicle purchases and original vehicle loans, and adjust the ratio of loan types in order to increase the average lending rate, increase Surplus; continue to increase the number of AO’ s dedicated AO’ s and business centers, focusing on and cultivating high-quality customers; continuing to promote the marketing of credit products, and formulating strategic products for full marketing.
4. Credit Card: Increase the use of cards targeting young ethnic group cards to develop new customer bases, increase the number of bids, card-movements, and market share; continue derivative applications and promotion of digital credit card products, enhance digital channels, and promote new generation consumption Sponsored bids; maintained multi-channel promotion, such as the joint card company access, employee promotion and increase the proportion of network bids, to increase market share; continue to

maintain and strengthen the top-level card features to attract high-cost customers bid to improve the card rate; New customers' billing rate for electronic bills to reduce entity billing costs; Actively plan virtual day programs for Federal Day activities; New cooperation with cartoon roads to increase the number of moving cards, spending amounts, and effective card rates; Expanding the amount of microfinance of card users and controlling risks , increase revenue.

5. Wealth management, insurance agency and trust business: enhance sales of wealth management business wealth management products; deepen customer relationships, strengthen the development of effective customers; combine big data analysis and cooperation with insurance companies, analyze target customers and transaction factors according to various insurance products, Improve sales efficiency; In response to the strong US dollar interest rate hike, and there is a significant spread between the U.S. dollar policy and the U.S. currency policy, we will strengthen sales of U.S. dollar insurance policies and create insurance policies.
6. Digital financial services: Continuously integrate and optimize mobile banking services, build a digital virtual bank of the Bank, and combine digital flow related services such as chip cards, QR Code, LINE applications, and convenience store access, and plan cross-device and cross-platform digital financial applications. In accordance with the evolution of science and technology, we will invest in the research of new types of financial services such as artificial intelligence, blockchain technology, and biometrics; increase the number of applications and users of digital virtual bank APP (including digital deposit accounts); provide compliance, stability, and Scalable modern customer service system.
7. Securities and financial business
Deeply cultivated the development and operation of corporate clients, increased the number of accounts opened and their performance; strengthened the promotion of electronic orders and increased the proportion of electronic transactions.

(2) Channel Development

1. The Bank currently has 90 business locations inside the country. To develop overseas operational footprint and to expand the operational basis, the Bank has acquired the approval from the Financial Supervisory Commission to set up Hong Kong branches in Hong Kong. This will answer to the market trend of internationalization.
2. To provide the clients with more convenient services, the Bank has

been actively developing off-bank ATMs over the past years. The objective is to improve the Bank's brand image and recognition through channel extension. At the end of 2017, the Bank has set up a total of 916 in-bank and off-bank ATMs.

(3) The Bank's 2018 Estimated Operational Targets

1.

Type of Business	2018 Target
Deposit (including foreign currencies)	Average balance of NT\$496.8 Billion at the end of the year
Lending (excluding credit c	Average balance of NT\$352.7 Billion at the end of the year
Foreign Exchange	Annual transaction of US\$6.234 Bil

2. Improvement of operating performance related benchmarks: Including a level of lending ratio that is equal to or lower than the industry average and maintaining a capital level that is consistent with all capital ratio criteria in 2019 pursuant to BASEL 3 requirements. It also maintains a stable source of funds and high-quality liquid assets to meet the NSFR and liquidity coverage ratio (LCR) standards. °

With the supervision of all shareholders and the effort of all employees, we hope to achieve all operating targets and create even more outstanding performance to answer to the expectations of the shareholders and the society. We hope that all shareholders will continue to encourage and guide the Bank.

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

Union Bank of Taiwan

Audit Committee Audit Report

The Audit Committee has reviewed the 2017 business report and profit distribution table submitted by the board of directors of the Bank and the balance sheet, consolidated profit and loss statement, change of shareholders' equity, cash flow statement and consolidated financial statements audited by accountants Cheng Shu Rang and Yang Cheng Hsiu of Deloitte and Touche and has found them to be consistent. This report is prepared in accordance with Article 14-4 of the Securities and Transaction Act and Article 219 of the Company Act.

To
Union Bank of Taiwan 2017 General Shareholder Meeting

Union Bank of Taiwan

Chairman of Audit

Committee:

Li Guo Chang

14 March 2018

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 are as follow:

Accuracy of Interest Revenue Recognition of Discounts and Loans

For the year ended 2017, the amount of interest revenue of discounts and loans is \$6,342,642 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, 2017.

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, 2017, the net amount of discounts and loans of the Bank is \$318,624,348 thousand, representing approximately 57% of total 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, 2017.

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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2018

Notice to Readers

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

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

UNION BANK OF TAIWAN

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS	\$ 10,756,051	2	\$ 9,974,690	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS	19,180,985	4	54,414,461	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	11,852,723	2	9,291,613	2
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	28,215,334	5	27,845,242	5
RECEIVABLES, NET	17,627,438	3	17,768,361	3
CURRENT TAX ASSETS	46,909	-	183,591	-
DISCOUNTS AND LOANS, NET	318,624,348	57	284,040,723	54
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	35,183,406	6	39,548,602	8
HELD-TO-MATURITY FINANCIAL ASSETS	51,285,957	9	7,192,115	1
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	2,981,366	1	2,910,889	1
OTHER FINANCIAL ASSETS, NET	48,100,741	9	56,620,906	11
PROPERTY AND EQUIPMENT, NET	8,061,615	2	8,136,374	2
INTANGIBLE ASSETS				
Goodwill	1,985,307	-	1,985,307	-
Computer software	177,528	-	179,209	-
Total intangible assets	2,162,835	-	2,164,516	-
DEFERRED TAX ASSETS	1,019,583	-	1,307,570	-
OTHER ASSETS, NET	2,102,313	-	2,230,774	1
TOTAL	\$ 557,201,604	100	\$ 523,630,427	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS	\$ 8,961,290	2	\$ 7,017,629	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	183,611	-	38,430	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	30,273,976	5	28,874,137	6
ACCOUNTS PAYABLE	7,005,686	1	6,889,250	1
CURRENT TAX LIABILITIES	70,008	-	64,784	-
DEPOSITS	449,412,119	81	432,062,824	83
BANK DEBENTURES	11,700,000	2	11,200,000	2
OTHER FINANCIAL LIABILITIES	21,720	-	19,566	-
PROVISIONS	171,759	-	176,554	-
DEFERRED TAX LIABILITIES	911,524	-	815,251	-
OTHER LIABILITIES	571,236	-	522,686	-
Total liabilities	509,282,929	91	487,681,111	93
EQUITY				
Share capital				
Ordinary shares	26,051,524	5	26,051,524	5
Preference shares	2,000,000	-	-	-
Total share capital	28,051,524	5	26,051,524	5
Capital surplus	8,032,413	2	32,413	-
Retained earnings				
Legal reserve	5,165,280	1	4,374,367	1
Special reserve	585,206	-	558,842	-
Unappropriated earnings	4,503,995	1	3,740,039	1
Total retained earnings	10,254,481	2	8,673,248	2
Other equity	1,580,257	-	1,192,131	-
Total equity	47,918,675	9	35,949,316	7
TOTAL	\$ 557,201,604	100	\$ 523,630,427	100

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

(With Deloitte & Touche auditors' report dated March 29, 2018)

UNION BANK OF TAIWAN
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage
	Amount	%	Amount	%	Increase (Decrease) %
NET INTEREST					
Interest revenues	\$ 10,298,904	100	\$ 10,051,894	102	2
Interest expenses	<u>3,613,710</u>	<u>35</u>	<u>3,653,016</u>	<u>37</u>	(1)
Net interest	<u>6,685,194</u>	<u>65</u>	<u>6,398,878</u>	<u>65</u>	4
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net	2,323,616	22	2,454,451	25	(5)
Gain on financial assets and liabilities at fair value through profit or loss	294,376	3	365,278	4	(19)
Realized gain on available-for-sale financial assets, net	781,919	8	449,182	4	74
Share of profit of associates	193,703	2	173,216	2	12
Foreign exchange loss, net	(138,588)	(1)	(9,514)	-	1,357
Impairment loss recognized on financial assets, net	-	-	(49,283)	(1)	100
Securities brokerage fee revenues, net	75,549	1	52,172	-	45
Gain on financial assets measured at cost, net	55,482	-	57,955	1	(4)
Property loss, net	(4,496)	-	(3,948)	-	14
Other noninterest net gain	<u>20,972</u>	<u>-</u>	<u>18,806</u>	<u>-</u>	12
TOTAL NET REVENUES	<u>10,287,727</u>	<u>100</u>	<u>9,907,193</u>	<u>100</u>	4
PROVISIONS					
Provision of allowance for doubtful accounts	<u>356,861</u>	<u>4</u>	<u>171,542</u>	<u>2</u>	108
OPERATING EXPENSES					
Personnel expenses	3,130,909	30	3,137,375	31	-
Depreciation and amortization	326,509	3	305,759	3	7
Others	<u>3,160,198</u>	<u>31</u>	<u>3,066,039</u>	<u>31</u>	3
Total operating expenses	<u>6,617,616</u>	<u>64</u>	<u>6,509,173</u>	<u>65</u>	2

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage
	Amount	%	Amount	%	Increase (Decrease) %
INCOME BEFORE INCOME TAX	3,313,250	32	3,226,478	33	3
INCOME TAX EXPENSE	<u>568,263</u>	<u>5</u>	<u>590,103</u>	<u>6</u>	(4)
NET INCOME	<u>2,744,987</u>	<u>27</u>	<u>2,636,375</u>	<u>27</u>	4
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	9,802	-	(16,223)	-	160
Share of the other comprehensive income of subsidiaries and associates	429	-	4,449	-	(90)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(1,666)</u>	<u>-</u>	<u>2,758</u>	<u>-</u>	(160)
	<u>8,565</u>	<u>-</u>	<u>(9,016)</u>	<u>-</u>	195
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(814,626)	(8)	(539,546)	(6)	51
Unrealized gain on available-for-sale financial assets	1,228,170	12	(60,740)	(1)	2,122
Share of other comprehensive income (loss) of subsidiaries and associates	(76,598)	(1)	5,526	-	(1,486)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>51,180</u>	<u>1</u>	<u>68,614</u>	<u>1</u>	(25)
	<u>388,126</u>	<u>4</u>	<u>(526,146)</u>	<u>(6)</u>	174
Other comprehensive income for the year, net of income tax	<u>396,691</u>	<u>4</u>	<u>(535,162)</u>	<u>(6)</u>	174
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,141,678</u>	<u>31</u>	<u>\$ 2,101,213</u>	<u>21</u>	50

(Continued)

EARNINGS PER SHARE (NEW
TAIWAN DOLLARS)

Basic	<u>\$1.05</u>	<u>\$1.01</u>
Diluted	<u>\$1.05</u>	<u>\$1.01</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2018)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings				Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity		Total Equity
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Exchange Differences on Translating Foreign Operations	Total	
BALANCE AT JANUARY 1, 2016	\$ 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
Appropriation of the 2016 earnings											
Legal reserve	-	-	-	790,913	-	(790,913)	-	-	-	-	-
Special reserve	-	-	-	-	26,364	(26,364)	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	(1,172,319)	(1,172,319)	-	-	-	(1,172,319)
Net income for the for the year ended December 31, 2017	-	-	-	-	-	2,744,987	2,744,987	-	-	-	2,744,987
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	8,565	8,565	1,073,393	(685,267)	388,126	396,691
Issuance of preference shares	-	2,000,000	8,000,000	-	-	-	-	-	-	-	10,000,000
BALANCE AT DECEMBER 31, 2017	\$ 26,051,524	\$ 2,000,000	\$ 8,032,413	\$ 5,165,280	\$ 585,206	\$ 4,503,995	\$ 10,254,481	\$ 2,345,701	\$ (765,444)	\$ 1,580,257	\$ 47,918,675

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

(With Deloitte & Touche auditors' report dated March 29, 2018)

UNION BANK OF TAIWAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,313,250	\$ 3,226,478
Adjustments for:		
Depreciation expenses	265,915	248,210
Amortization expenses	60,594	57,549
Provision of allowance for doubtful accounts	356,861	171,542
Net gain on disposal of financial assets designated as at fair value through profit or loss	(294,376)	(365,278)
Interest expenses	3,613,710	3,653,016
Interest revenues	(10,298,904)	(10,051,894)
Dividend income	(225,302)	(208,005)
Share of profit of associates	(193,703)	(173,216)
Loss on disposal of properties and equipment	4,496	3,948
Gain on disposal of investments	(612,099)	(299,132)
Impairment loss recognized on financial assets	-	50,000
Reversal of impairment losses on nonfinancial asset	-	(717)
Loss on disposal of collaterals	-	241
Changes in operating assets and liabilities		
Due from the Central Bank and call loans banks	(3,641,413)	(1,496)
Financial assets at fair value through profit or loss	(1,848,607)	127,674
Accounts receivable	(219,901)	(2,731,287)
Discounts and loans	(34,727,226)	(3,389,657)
Available-for-sale financial assets	6,205,466	(16,398,233)
Held-to-maturity financial assets	(44,498,510)	(2,974,151)
Other financial assets	9,079,422	4,423,579
Due to the Central Bank and other banks	1,943,661	3,853,638
Financial liabilities at fair value through profit or loss	(277,453)	(259,375)
Securities sold under repurchase agreements	1,399,839	1,887,201
Accounts payable	55,090	2,829,338
Deposits	17,349,295	10,316,798
Other financial liabilities	2,154	(842)
Provisions for employee benefits	(246)	(806,439)
Other liabilities	899	-
Cash used in operations	(53,187,088)	(6,810,510)
Interest received	10,304,523	9,910,845
Dividend received	267,762	241,509
Interest paid	(3,552,364)	(3,630,257)
Income tax returned	7,417	35,002
	<u>(46,159,750)</u>	<u>(253,411)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	(191,869)	(721,944)
Proceeds of the disposal of properties and equipment	22	23
Increase in settlement fund	-	(20,334)

(Continued)

UNION BANK OF TAIWAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Decrease in settlement fund	161,568	-
Increase in refundable deposits	(96,519)	-
Decrease in refundable fund	-	243,501
Payments for intangible assets	(62,718)	(34,669)
Proceeds of the disposal of collaterals	-	476
Increase in other assets	-	(260,541)
Decrease in other assets	<u>63,412</u>	<u>-</u>
Net cash used in investing activities	<u>(126,104)</u>	<u>(793,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of the issue of bank debentures	500,000	2,500,000
Repayments of bank debentures	-	(900,000)
Increase in guarantee deposits received	-	13,889
Decrease in guarantee deposits received	(2,513)	-
Increase in other liabilities	42,773	40,314
Cash dividends paid	(1,172,319)	(1,042,061)
Issuance of preference shares	<u>10,000,000</u>	<u>-</u>
Net cash generated from financing activities	<u>9,367,941</u>	<u>612,142</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(805,523)</u>	<u>(537,044)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,723,436)	(971,801)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>77,019,932</u>	<u>77,991,733</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 39,296,496</u>	<u>\$ 77,019,932</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2017 and 2016:

	December 31	
	2017	2016
Cash and cash equivalents in balance sheets	\$ 10,756,051	\$ 9,974,690
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"	325,111	39,200,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>28,215,334</u>	<u>27,845,242</u>
Cash and cash equivalents in statements of cash flows	<u>\$ 39,296,496</u>	<u>\$ 77,019,932</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2018)

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

Opinion

We have audited the accompanying consolidated financial statements of Union Bank of Taiwan (the Bank) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 are described as follows:

Accuracy of Interest Revenue Recognition of Discounts and Loans

For the year ended 2017, the amount of interest revenue of discounts and loans is \$6,307,257 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, 2017.

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, 2017, the net amount of discounts and loans of the Company is \$316,728,989 thousand, representing approximately 56% 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, 2017.

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, 2017 and 2016 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2018

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS	\$ 12,136,172	2	\$ 10,971,118	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	19,180,985	4	54,414,461	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	12,136,325	2	9,538,090	2
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	28,234,334	5	27,855,242	5
RECEIVABLES, NET	17,751,420	3	17,888,230	3
CURRENT TAX ASSETS	52,134	-	186,231	-
DISCOUNTS AND LOANS, NET	316,728,989	56	282,416,950	53
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	35,489,633	6	39,978,425	8
HELD-TO-MATURITY FINANCIAL ASSETS	51,285,957	9	7,192,115	1
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	53,121	-	53,447	-
OTHER FINANCIAL ASSETS, NET	48,267,839	9	57,403,743	11
PROPERTY AND EQUIPMENT, NET	8,081,729	2	8,156,305	2
INVESTMENT PROPERTIES, NET	5,284,434	1	5,415,376	1
INTANGIBLE ASSETS				
Goodwill	1,985,307	-	1,985,307	-
Computer software	184,137	-	182,423	-
Total intangible assets	<u>2,169,444</u>	<u>-</u>	<u>2,167,730</u>	<u>-</u>
DEFERRED TAX ASSETS	1,172,974	-	1,447,039	-
OTHER ASSETS, NET	<u>7,590,797</u>	<u>1</u>	<u>7,622,068</u>	<u>2</u>
TOTAL	<u>\$ 565,616,287</u>	<u>100</u>	<u>\$ 532,706,570</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS	\$ 9,249,185	2	\$ 8,389,312	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	183,384	-	39,523	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	30,273,976	5	28,874,137	5
ACCOUNTS PAYABLE	7,108,824	1	6,981,464	1
CURRENT TAX LIABILITIES	77,173	-	97,549	-
DEPOSITS AND REMITTANCES	449,049,470	79	431,618,915	81
BANK DEBENTURES	11,700,000	2	11,200,000	2
BOND PAYABLE	1,409,598	-	1,135,884	-
OTHER FINANCIAL LIABILITIES	4,291,441	1	4,235,138	1
PROVISIONS	182,262	-	189,572	-
DEFERRED TAX LIABILITIES	937,196	-	834,410	-
OTHER LIABILITIES	<u>2,967,213</u>	<u>1</u>	<u>2,892,210</u>	<u>1</u>
Total liabilities	<u>517,429,722</u>	<u>91</u>	<u>496,488,114</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital				
Ordinary shares	26,051,524	5	26,051,524	5
Preference shares	2,000,000	-	-	-
Total share capital	<u>28,051,524</u>	<u>5</u>	<u>26,051,524</u>	<u>5</u>
Capital surplus	<u>8,032,413</u>	<u>2</u>	<u>32,413</u>	<u>-</u>
Retained earnings				
Legal reserve	5,165,280	1	4,374,367	1
Special reserve	585,206	-	558,842	-
Unappropriated earnings	<u>4,503,995</u>	<u>1</u>	<u>3,740,039</u>	<u>1</u>
Total retained earnings	<u>10,254,481</u>	<u>2</u>	<u>8,673,248</u>	<u>2</u>
Other equity	<u>1,580,257</u>	<u>-</u>	<u>1,192,131</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>47,918,675</u>	<u>9</u>	<u>35,949,316</u>	<u>7</u>
NON-CONTROLLING INTERESTS	<u>267,890</u>	<u>-</u>	<u>269,140</u>	<u>-</u>
Total equity	<u>48,186,565</u>	<u>9</u>	<u>36,218,456</u>	<u>7</u>
TOTAL	<u>\$ 565,616,287</u>	<u>100</u>	<u>\$ 532,706,570</u>	<u>100</u>

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INTEREST					
Interest revenues	\$ 10,268,804	82	\$ 10,014,337	83	3
Interest expenses	<u>3,677,756</u>	<u>29</u>	<u>3,709,965</u>	<u>31</u>	(1)
Net interest	6,591,048	53	6,304,372	52	5
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net	2,298,017	18	2,423,489	20	(5)
Gain on financial assets and liabilities at fair value through profit or loss, net	356,479	3	382,758	3	(7)
Realized gain from available-for-sale financial assets, net	830,130	7	461,840	4	80
Foreign exchange loss, net	(159,723)	(1)	(16,025)	-	897
Loss from asset impairment, net	(799)	-	(49,283)	-	(98)
Share of loss of associates	(326)	-	(347)	-	(6)
Gain on financial assets measured at cost, net	57,416	-	68,135	-	(16)
Securities brokerage fee revenues, net	203,732	2	198,476	2	3
Rental revenue	2,231,092	18	2,140,487	18	4
Other noninterest net gain	<u>64,299</u>	<u>-</u>	<u>97,758</u>	<u>1</u>	(34)
TOTAL NET REVENUES	<u>12,471,365</u>	<u>100</u>	<u>12,011,660</u>	<u>100</u>	4
PROVISIONS					
Provision of allowance for doubtful accounts	<u>356,861</u>	<u>3</u>	<u>171,542</u>	<u>2</u>	108
OPERATING EXPENSES					
Employee benefit expenses	3,352,574	27	3,345,749	28	-
Depreciation and amortization	1,937,510	15	1,820,860	15	6
Others	<u>3,437,849</u>	<u>28</u>	<u>3,362,722</u>	<u>28</u>	2
Total operating expenses	<u>8,727,933</u>	<u>70</u>	<u>8,529,331</u>	<u>71</u>	2

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage
	Amount	%	Amount	%	Increase (Decrease) %
INCOME BEFORE INCOME TAX	3,386,571	27	3,310,787	27	2
INCOME TAX EXPENSE	<u>620,536</u>	<u>5</u>	<u>649,166</u>	<u>5</u>	(4)
CONSOLIDATED NET INCOME	<u>2,766,035</u>	<u>22</u>	<u>2,661,621</u>	<u>22</u>	4
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	10,474	-	(11,073)	-	195
Income tax relating to items that will not be reclassified subsequently to profit or loss	(1,781)	-	1,883	-	(195)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(890,651)	(7)	(558,033)	(5)	60
Unrealized gain on available-for-sale financial assets	1,214,673	10	(39,870)	-	3,147
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>64,104</u>	<u>-</u>	<u>71,757</u>	<u>1</u>	(11)
Other comprehensive income for the year, net of income tax	<u>396,819</u>	<u>3</u>	<u>(535,336)</u>	<u>(4)</u>	174
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,162,854</u>	<u>25</u>	<u>\$ 2,126,285</u>	<u>18</u>	49
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 2,744,987	22	\$ 2,636,375	22	4
Non-controlling interests	<u>21,048</u>	<u>-</u>	<u>25,246</u>	<u>-</u>	(17)
	<u>\$ 2,766,035</u>	<u>22</u>	<u>\$ 2,661,621</u>	<u>22</u>	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 3,141,678	25	\$ 2,101,213	18	50

Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Non-controlling interests	<u>21,176</u>	<u>-</u>	<u>25,072</u>	<u>-</u>	(16)
	<u>\$ 3,162,854</u>	<u>25</u>	<u>\$ 2,126,285</u>	<u>18</u>	49
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)					
Basic	<u>\$1.05</u>		<u>\$1.01</u>		
Diluted	<u>\$1.05</u>		<u>\$1.01</u>		

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, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	Equity Attributable Owners of the Company											Non-controlling Interests	Total Equity
	Share Capital		Share Capital	Retained Earnings				Other Equity		Total	Total		
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations				
BALANCE AT JANUARY 1, 2016	\$ 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
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	790,913	-	(790,913)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	26,364	(26,364)	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	(1,172,319)	(1,172,319)	-	-	-	(1,172,319)	-	(1,172,319)
Net income for the for the year ended December 31, 2017	-	-	-	-	-	2,744,987	2,744,987	-	-	-	2,744,987	21,048	2,766,035
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	8,565	8,565	1,073,393	(685,267)	388,126	396,691	128	396,819
Issuance of preference shares	-	2,000,000	8,000,000	-	-	-	-	-	-	-	10,000,000	-	10,000,000
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(22,426)	(22,426)
BALANCE AT DECEMBER 31, 2017	\$ 26,051,524	\$ 2,000,000	\$ 8,032,413	\$ 5,165,280	\$ 585,206	\$ 4,503,995	\$ 10,254,481	\$ 2,345,701	\$ (765,444)	\$ 1,580,257	\$ 47,918,675	\$ 267,890	\$ 48,186,565

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

UNION BANK OF TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,386,571	\$ 3,310,787
Adjustments for:		
Depreciation expenses	1,873,385	1,760,952
Amortization expenses	64,125	59,908
Provision of allowance for doubtful accounts	356,861	171,542
Gain on disposal of financial assets designated as at fair value through profit or loss	(356,479)	(382,758)
Interest expenses	3,677,756	3,709,965
Interest revenues	(10,268,804)	(10,014,337)
Dividend income	(241,044)	(220,255)
Share of loss of associates	326	347
Gain on disposal of properties and equipment	(17,565)	(27,242)
Gain on disposal of investments	(645,405)	(299,132)
Impairment loss recognized on financial assets	799	50,000
Reversal of impairment losses on nonfinancial assets	-	(717)
Loss on disposal of collaterals	-	241
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(3,641,413)	(1,496)
Financial assets at fair value through profit or loss	(1,823,629)	142,775
Accounts receivable	(224,260)	(2,779,464)
Discounts and loans	(34,455,640)	(3,746,390)
Available-for-sale financial assets	6,348,871	(16,399,445)
Held-to maturity financial assets	(44,498,510)	(2,957,960)
Other financial assets	9,694,362	3,809,276
Due to the Central Bank and other banks	859,873	4,607,336
Financial liabilities at fair value through profit or loss	(278,773)	(259,375)
Securities sold under repurchase agreements	1,399,839	1,887,201
Accounts payable	65,695	2,895,895
Deposits	17,430,555	10,600,809
Other financial liabilities	2,155	(843)
Provisions for employee benefits	(2,089)	(806,649)
Other liabilities	899	-
Cash used in operations	(51,291,539)	(4,889,029)
Interest received	10,274,544	9,874,024
Dividends received	245,551	225,590
Interest paid	(3,615,966)	(3,686,394)
Income tax returned (paid)	(67,642)	1,012
Net cash generated from (used in) operating activities	<u>(44,455,052)</u>	<u>1,525,203</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	(200,903)	(735,637)
Proceeds of the disposal of properties and equipment	21	416

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Payments for investment properties	(15,077)	(1,741,278)
Increase in settlement fund	-	(20,334)
Decrease in settlement fund	161,568	-
Increase in refundable deposits	(96,985)	-
Decrease in refundable deposits	-	225,554
Payments for intangible assets	(66,476)	(28,298)
Proceeds of the disposal of collaterals	-	476
Increase in other assets	<u>(1,574,695)</u>	<u>(2,095,105)</u>
Net cash used in investing activities	<u>(1,792,547)</u>	<u>(4,394,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper	54,148	1,556,543
Proceeds of the issue of bonds payable	317,955	529,344
Proceeds of the issue of bank debentures	500,000	2,500,000
Repayments of bank debentures	-	(900,000)
Increase in guarantee deposits received	2,312	250,255
Increase in other liabilities	64,401	59,160
Dividends paid to non-controlling interests	(22,426)	(16,185)
Cash dividends paid	(1,172,319)	(1,042,061)
Issuance of preference shares	<u>10,000,000</u>	<u>-</u>
Net cash generated from financing activities	<u>9,744,071</u>	<u>2,937,056</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(827,215)</u>	<u>(560,639)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,330,743)	(492,586)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>78,026,360</u>	<u>78,518,946</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 40,695,617</u>	<u>\$ 78,026,360</u>

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
 (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, 2017 and 2016:

	December 31	
	2017	2016
Cash and cash equivalents in the consolidated balance sheets	\$ 12,136,172	\$ 10,971,118
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”	325,111	39,200,000
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>28,234,334</u>	<u>27,855,242</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 40,695,617</u>	<u>\$ 78,026,360</u>

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

(Concluded)

Union Bank of Taiwan
Profit Distribution Table
2017

Unit: NT\$

Item	Amount	
Beginning Undistributed Profit		1, 750, 444, 171
After-Tax Profit in Current Period		2, 744, 986, 681
Confirmation of welfare plan Remeasurement is recognized in retained earnings		8, 564, 086
Provision of Legal Reserve for Current Year		(823, 496, 004)
Special surplus reserve shall be set up in accordance with the law		(27, 449, 867)
Distributable Profit from Current Period		3, 653, 049, 067
Distribution		
(1) Preferred Shares dividend (\$0.45369863 per share)	(90, 739, 726)	
Ordinary Share Dividend (\$0.7 per share)	(1, 823, 606, 699)	(1, 914, 346, 425)
Ending Undistributed Profit		1, 738, 702, 642

Notes:

1. In accordance with the regulation of the Ministry of Finance Tai-Cao-Shui No. 871941343 date 30 April 1998, in distributing profit, individual identification should be adopted. The 2017 profit should be distributed in priority in this profit distribution.
2. Cash cash dividend will be distributed in proportion to the shareholding ratio and the minimum calculation unit shall be one dollar. Any fraction of a dollar shall be recorded as other income by the Bank.

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

Union Bank of Taiwan

Directors and Managers' Ethical Conduct Guidelines

Formulation on 23 August 2017

Article 1. Purpose and basis

In order to guide the behavior of the directors and managers of the Union Bank of Taiwan (the Bank) in accordance with ethical standards, the interested parties are aware of the ethical standards that the Bank must understand and comply with in order to carry out their duties and establish these guidelines for compliance.

Article 2. Prevent conflicts of interest

Directors and managers should handle their duties in an objective and efficient manner and must not use their positions in the Bank to obtain improper benefits from their relatives, their spouse, parents, children or their parents.

When the Bank's relationship with the aforementioned personnel is for the purpose of loaning funds or providing guarantees for it, and major asset transactions, it should provide appropriate channels for the relevant directors and managers to actively explain whether or not they have potential conflicts of interest with the Bank.

Article 3. Avoiding selfish behavior

Directors and managers must not be the following:

- (1). Intent or gaining personal gain through the use of the Bank's property, information or by virtue of his or her position.
- (2). Compete with the Bank. When the Bank has a profit opportunity, the director or manager has the responsibility to increase the legitimate interests that the Bank can obtain.

Article 4. Duty of confidentiality

Directors and managers of the Bank or the Bank's customers, in addition to being authorized by the parties or publicized by law, should be responsible for confidentiality. Information that should be kept confidential includes all undisclosed information that may have been detrimental to the Bank or the customer after it has been exploited or leaked by competitors.

Article 5. Fair trade

Directors and managers should treat the Bank's customers, competitors and employees fairly and must not obtain improper benefits by manipulating, concealing, or abusing information based on their positions, making false statements about important matters or other unfair trading practices.

Article 6. Protect and use the Bank's assets properly

Directors and managers have the responsibility to protect the Bank's assets and ensure that they can use them legally and effectively.

When directors and managers discover that the Bank has suffered significant damage, they should notify the independent directors immediately and submit it to the board of directors for appropriate processing and notification to the competent authority as soon as possible.

Article 7. Follow laws and regulations

The Bank's directors and managers should strictly abide by the provisions of the Bank Law, the Company Law, the Securities Exchange Act and other relevant laws and regulations.

- Article 8. Encourage reporting of any illegal or violation of this Code
From time to time, the Bank strengthens its ethical awareness, and encourages employees to provide sufficient information to actively challenge directors (including independent directors), managers, internal audit supervisors, or others when they suspect or discover violations of laws and regulations or this Code. Appropriate personnel reported so that the Bank can properly handle. The Bank will handle reported cases in a confidential manner and let employees know that the Bank will do its utmost to protect the safety of the presenters.
- Article 9. Disciplinary measures
When the Bank's directors and managers violate the Code of Conduct, the Bank shall handle them in accordance with the relevant statutes. If the circumstances are serious, the Bank shall conduct civil and criminal prosecution procedures and be immediately available at the Public Information Observatory. Expose information on the person's job title, name, date of violation, violation of cause, violation of the guidelines, and handling of violations of the Code of Ethics.
When a person is punished for violating the provisions of this Code, the punished person may file a complaint in accordance with relevant regulations.
- Article 10. Exemption from applicable procedures
If the directors and managers of the Bank are exempt from compliance with the Bank's ethical code of conduct, they must pass resolutions of the board of directors and immediately disclose at the public information observatory the name, name, date of exemption, and independence of the exempted person. Directors' objections or reservations, information on the period, reasons, and criteria for the exemption, and profit-sharing shareholders assess whether the board's resolution is appropriate to suppress arbitrary or suspicious exemption compliance and ensure that any exemption compliance is appropriate. Control mechanism to protect the Bank.
- Article 11. Exposing methods
The Bank shall disclose this ethical code of conduct on the Bank's website, annual reports, public statements and public information observing stations.
- Article 12. Execution
The Bank's ethical standards of conduct were passed by the board of directors and submitted to the shareholders' meeting for amendment.