Union Bank of Taiwan

Financial Statements for the
Years Ended December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018, 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 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, 2019. 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 key audit matters of the Bank's financial statements for the year ended December 31, 2019 are described as follows:

<u>Assessment of the Impairment of Discounts and Loans</u>

As of December 31, 2019, the net amount of discounts and loans of the Bank was $386,383,784 thousand which, represented approximately 56% of total assets, and was considered material to the financial statements as a whole. Refer to Note 14 to the financial statements. The Bank's management performs loan impairment assessment involving critical judgements on accounting estimates and assumptions; therefore, we determined allowance for possible losses on discounts and loans as a key audit matter for the year ended December 31, 2019.

The Bank's management periodically performs loan impairment assessment through making judgements to measure the loss allowance at an amount equal to 12-month expected credit losses or the lifetime expected credit losses. Also, the allowance provision should comply with classification of credit assets and relevant regulations for the provision issued by the authorities.

For the accounting policies and relevant information on loan impairment assessment, refer to Notes 4, 5 and 14 to the financial statements.

The main audit procedures we performed in response to certain aspects of the key audit matter described above were 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. Obtain an understanding of the assumptions and critical factors of the impairment assessment model, including the Probability of Default and the Loss Given Default, and testing whether those estimates reasonably reflected the actual status of each loan.

3. Perform test on reasonableness of calculation of expected credit losses for selected loans.

4. Test the classification of credit assets by length of overdue period for the respective loans and its collateral in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

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 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, 2019 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 Jui-Chan Huang and Chen-Hsiu Yang.

Huang, Jui Chan Yang, Chen Hsiu

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 10,937,284	2	$ 12,677,719	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	17,344,886	3	29,262,634	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	30,599,774	4	36,355,695	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9 and 11)	40,962,420	6	33,118,474	5
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 11)	104,170,149	15	94,149,872	15
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	51,360,225	8	68,467,365	11
RECEIVABLES, NET (Notes 4, 5, 13 and 15)	20,432,902	3	17,870,713	3
CURRENT TAX ASSETS (Note 4)	49,185	-	73,563	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14, 15 and 41)	386,383,784	56	326,837,853	51
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 16)	5,375,020	1	4,725,795	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 17 and 42)	3,520,128	1	2,204,959	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	7,945,393	1	7,982,503	1
RIGHT-OF-USE ASSETS (Notes 3, 4 and 19)	1,361,636	-	-	-
INTANGIBLE ASSETS (Notes 4 and 20)				
Goodwill	1,985,307	-	1,985,307	-
Computer software	142,872	-	169,280	-
Total intangible assets	2,128,179	-	2,154,587	-
DEFERRED TAX ASSETS (Notes 4 and 39)	540,779	-	634,777	-
OTHER ASSETS, NET (Notes 4, 21, 28, 41 and 43)	3,267,302	-	2,490,419	-
TOTAL	$ 686,379,046	100	$ 639,006,928	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	$ 11,300,923	2	$ 11,389,841	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	650,981	-	307,799	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4 and 23)	65,377,436	10	44,334,388	7
PAYABLES (Notes 24 and 41)	4,519,286	1	6,912,587	1
CURRENT TAX LIABILITIES (Note 4)	364,806	-	24,379	-
DEPOSITS AND REMITTANCES (Notes 25 and 41)	533,655,963	78	514,386,800	80
BANK DEBENTURES (Notes 4 and 26)	10,200,000	1	9,700,000	2
OTHER FINANCIAL LIABILITIES	111	-	11,825	-
PROVISIONS (Notes 4, 15 and 27)	249,967	-	252,949	-
LEASE LIABILITIES (Notes 3, 4, 19 and 41)	1,338,560	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 39)	1,569,639	-	1,228,719	-
OTHER LIABILITIES (Notes 29, 41 and 43)	903,073	-	644,612	-
Total liabilities	630,130,745	92	589,193,899	92
EQUITY				
Share capital				
Ordinary shares	28,844,553	4	26,900,129	4
Preference shares	2,000,000	-	2,000,000	1
Total share capital	30,844,553	4	28,900,129	5
Capital surplus	8,035,484	1	8,032,413	1
Retained earnings				
Legal reserve	6,875,793	1	5,988,776	1
Special reserve	627,440	-	612,656	-
Unappropriated earnings	5,180,139	1	4,619,232	1
Total retained earnings	12,683,372	2	11,220,664	2
Other equity	4,684,892	1	1,659,823	-
Total equity	56,248,301	8	49,813,029	8
TOTAL	$ 686,379,046	100	$ 639,006,928	100

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

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST (Notes 4, 31 and 41)					
Interest revenues	$ 12,023,379	103	$ 11,016,864	104	9
Interest expenses	5,459,519	47	4,225,103	40	29
Net interest	6,563,860	56	6,791,761	64	(3)
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4 and 32)	2,777,365	24	2,444,065	23	14
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 33)	1,411,067	12	257,274	3	448
Realized gain on financial assets at fair value through other comprehensive income (Note 34)	336,640	3	436,244	4	(23)
Share of profit of subsidiaries and associates (Notes 4 and 16)	105,216	1	96,603	1	9
Foreign exchange gain, net (Note 4)	363,269	3	450,995	4	(19)
Loss from assets impairment (Notes 4 and 35)	(42,921)	-	(33,589)	-	28
Securities brokerage fee revenues, net	98,868	1	103,379	1	(4)
Loss on disposal of properties and equipment, net (Note 4)	(3,427)	-	(2,257)	-	52
Other noninterest gain, net	50,419	-	27,237	-	85
TOTAL NET REVENUES	11,660,356	100	10,571,712	100	10
PROVISIONS (Notes 4, 5, 13, 14 and 15)					
Provision of allowance for doubtful accounts and provision for losses on commitments and guarantees	235,584	2	291,985	3	(19)
OPERATING EXPENSES					
Employee benefit expenses (Notes 4, 28, 36 and 41)	3,588,081	31	3,303,509	31	9
Depreciation and amortization (Notes 4 and 37)	809,417	7	354,939	3	128
Others (Notes 38 and 41)	3,052,907	26	3,184,254	30	(4)
Total operating expenses	7,450,405	64	6,842,702	64	9

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UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	$ 3,974,367	34	$ 3,437,025	33	16
INCOME TAX EXPENSE (Notes 4 and 39)	614,910	5	480,301	5	28
NET INCOME	3,359,457	29	2,956,724	28	14
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	172,852	2	(13,151)	-	1,414
Unrealized gain on investments in equity instrument at fair value through other comprehensive income	2,247,568	19	417,367	4	439
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	1,000	-	(5,211)	-	119
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 42)	(334,744)	(3)	(197,434)	(2)	70
Items that will not be reclassified subsequently to profit or loss, net of income tax	2,086,676	18	201,571	2	935

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UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations	$ (227,061)	(2)	$ 303,314	3	(175)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(9,459)	-	85,530	1	(111)
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	1,604,564	14	(965,975)	(9)	266
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 39)	45,412	-	(36,924)	(1)	223
Items that may be reclassified subsequently to profit or loss, net of income tax	1,413,456	12	(614,055)	(6)	330
Other comprehensive income (loss) for the year, net of income tax	3,500,132	30	(412,484)	(4)	949
TOTAL COMPREHENSIVE INCOME	$ 6,859,589	59	$ 2,544,240	24	170
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 43)					
Basic	$1.00		$1.00		
Diluted	$1.00		$0.99		

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

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital (Notes 30 and 36)			Capital Surplus (Note 30)	Retained Earnings (Notes 4 and 30)				Other Equity (Notes 4 and 32)				
	Ordinary Shares	Preference Shares	Total		Legal Reserve	Special Reserve	Unappro-priated Earnings	Total	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE AT JANUARY 1, 2018	$ 26,051,524	$ 2,000,000	$ 28,051,524	$ 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
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	(31,391)	(31,391)	(2,345,701)	-	2,797,843	452,142	420,751
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,472,604	10,223,090	-	(765,444)	2,797,843	2,032,399	48,339,426
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	-	823,496	-	(823,496)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	27,450	(27,450)	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	-	(1,042,061)
Stock dividends on common shares	781,546	-	781,546	-	-	-	(781,546)	(781,546)	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(90,740)	(90,740)	-	-	-	-	(90,740)
Net income for the year ended December 31, 2018	-	-	-	-	-	-	2,956,724	2,956,724	-	-	-	-	2,956,724
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	(4,302)	(4,302)	-	351,920	(760,102)	(408,182)	(412,484)
Share-based payment	67,059	-	67,059	-	-	-	(4,895)	(4,895)	-	-	-	-	62,164
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(35,606)	(35,606)	-	-	35,606	35,606	-
BALANCE AT DECEMBER 31, 2018	26,900,129	2,000,000	28,900,129	8,032,413	5,988,776	612,656	4,619,232	11,220,664	-	(413,524)	2,073,347	1,659,823	49,813,029
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	-	887,017	-	(887,017)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	14,784	(14,784)	-	-	-	-	-	-
Stock dividends on common shares	1,883,009	-	1,883,009	-	-	-	(1,883,009)	(1,883,009)	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(480,000)	(480,000)	-	-	-	-	(480,000)
Net income for the year ended December 31, 2019	-	-	-	-	-	-	3,359,457	3,359,457	-	-	-	-	3,359,457
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	139,435	139,435	-	(191,108)	3,551,805	3,360,697	3,500,132
Acquisition of interest in subsidiary	-	-	-	-	-	-	(6,698)	(6,698)	-	-	(2,105)	(2,105)	(8,803)
Share-based payment	61,415	-	61,415	3,071	-	-	-	-	-	-	-	-	64,486
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	333,523	333,523	-	-	(333,523)	(333,523)	-
BALANCE AT DECEMBER 31, 2019	$ 28,844,553	$ 2,000,000	$ 30,844,553	$ 8,035,484	$ 6,875,793	$ 627,440	$ 5,180,139	$ 12,683,372	$ -	$ (604,632)	$ 5,289,524	$ 4,684,892	$ 56,248,301

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

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,974,367	$ 3,437,025
Adjustments for:		
Depreciation expenses	726,896	288,758
Amortization expenses	82,521	66,181
Expected credit losses/provision of allowance for doubtful accounts	235,584	291,985
Gain on disposal of financial assets at fair value through profit or loss	(1,411,067)	(257,274)
Interest expenses	5,459,519	4,225,103
Interest revenues	(12,023,379)	(11,016,864)
Dividend income	(312,318)	(435,866)
Share of profit of subsidiaries and associates	(105,216)	(96,603)
Loss on disposal of properties and equipment	3,427	2,258
Impairment loss recognized on financial assets	63,106	39,935
Reversal of impairment losses on nonfinancial asset	(20,185)	(6,346)
(Gain)/loss on disposal of collaterals	(43,640)	2,658
Changes in operating assets and liabilities		
Due from the Central Bank and call loans banks	6,069,171	(4,081,105)
Financial assets at fair value through profit or loss	8,416,444	(23,169,161)
Financial assets at fair value through other comprehensive income	(4,009,476)	2,701,189
Investments in debt instruments at amortized cost	(10,706,007)	2,634,924
Receivables	(2,575,866)	(342,585)
Discounts and loans	(59,783,147)	(8,451,780)
Other financial assets	(506,469)	(322,286)
Due to the Central Bank and other banks	(88,918)	2,428,551
Financial liabilities at fair value through profit or loss	(906,274)	(845,089)
Securities sold under repurchase agreements	21,043,048	14,060,412
Payables	(2,391,267)	(136,334)
Deposits and remittances	19,269,163	64,974,681
Other financial liabilities	(11,714)	(9,895)
Provisions for employee benefits	154,120	(25)
Other liabilities	1,800	(499)
Cash generated from (used in) operations	(29,395,777)	45,981,948
Interest received	11,888,433	10,957,721
Dividend received	313,673	450,598
Interest paid	(5,397,067)	(4,119,704)
Income tax paid	(104,519)	(86,202)
Net cash generated from (used in) operating activities	(22,695,257)	53,184,361

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UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associates	$ (564,394)	$ (1,579,977)
Payments for properties and equipment	(286,869)	(223,854)
Proceeds from disposal of properties and equipment	48	1,092
Increase in settlement fund	-	(1,957)
Decrease in settlement fund	448	-
Increase in refundable deposits	(449,180)	(379,678)
Payments for intangible assets	(44,804)	(47,075)
Proceeds from disposal of collaterals	63,825	3,688
Payments for right-of-use assets	(974)	-
Increase in other assets	(355,463)	(6,471)
Net cash used in investing activities	(1,637,363)	(2,234,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of bank debentures	2,000,000	-
Repayments of bank debentures	(1,500,000)	(2,000,000)
Proceeds from guarantee deposits received	7,390	3,302
Repayment of the principal portion of lease liabilities	(412,491)	-
Increase in other liabilities	248,855	52,354
Dividends paid	(480,000)	(1,132,801)
Net cash used in financing activities	(136,246)	(3,077,145)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(227,286)	301,259
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,696,152)	48,174,243
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	87,470,739	39,296,496
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 62,774,587	$ 87,470,739

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UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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, 2019 and 2018:

	December 31	
	2019	**2018**
Cash and cash equivalents in balance sheets	$ 10,937,284	$ 12,677,719
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"	477,078	6,325,655
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	51,360,225	68,467,365
Cash and cash equivalents in statements of cash flows	$ 62,774,587	$ 87,470,739

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

1. GENERAL INFORMATION

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

The Bank engages in activities allowed under the Banking Law, which include 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 Union Bills Finance Corporation (UBF) on August 16, 2010, with the Bank as the surviving entity.

On August 26, 2015, the board of directors of the Bank resolved to merge UIB in order to integrate the resources, strengthen management and business synergy. The merger was approved by the Financial Supervisory Commission (FSC) under Rule No. 10502022990. The effective date of this merger was August 1, 2016.

To integrate resources and enhance operating effectiveness, The Bank requested to purchase Union Securities Investment Trust Corporation's equity, which was approved by the board of directors on May 9, 2018. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802037180 on March 27, 2019. The Bank acquired 64.44% and 0.16% equity interest of Union Securities Investment Trust Corporation on July 5, 2019 and December 27, 2019, respectively. After the transaction was completed, the percentage of total equity interest increased from 35% to 99.60%.

In order to actively support the FSC's needs to adapt to the nation's overall industry development, and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, Union Bank of Taiwan established Union Venture Capital in coordination with the nation's financial policies, which was approved by the board of directors on September 26, 2018. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802042270. Union Venture Capital had been established by the Bank on November 21, 2019. The total investment amount was $300,000 thousand, and the Bank held 100% of Union Venture Capital's shares.

As of December 31, 2019, the Bank's operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, Insurance Agency Department, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 90 domestic branches (including the 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 11, 2020.

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

a. Initial application of the 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) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank's accounting policies:

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Bank elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

<u>The Bank as lessee</u>

The Bank recognizes right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Bank will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Bank anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Bank will apply IAS 36 to all right-of-use assets.

The Bank also applies the following practical expedients:

a) The Bank will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Bank will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Bank will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 0.88%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 1,411,33
Less: Recognition exemption for short-term leases	(196,855)
Undiscounted amounts on January 1, 2019	$ 1,214,480
Lease liabilities recognized on January 1, 2019	$ 1,181,119

The Bank as lessor

The Bank does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 1,208,431	$ 1,208,431
Other assets	27,312	(27,312)	-
Total effect on assets	$ 27,312	$ 1,181,119	$ 1,208,431
Lease liabilities	$ -	$ 1,181,119	$ 1,181,119
Total effect on liabilities	$ -	$ 1,118,119	$ 1,118,119

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Bank shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Bank shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Bank would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity's hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 "Definition of material"

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note)**
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

   The amendments stipulate that, when the Bank 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 the Bank 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 the Bank 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 Bank's interest as an unrelated investor in the associate or joint venture, i.e., the Bank's share of the gain or loss is eliminated. Also, when the Bank loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Bank's interest as an unrelated investor in the associate or joint venture, i.e., the Bank's share of the gain or loss is eliminated.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the 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 fair value. 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 investments 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 as the amounts attributable to the owner of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries, associates and related equity items, as appropriate, in the financial statements.

Foreign Currencies

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (i.e. 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 the disposal of the net investments.

Non-monetary 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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting financial statements, the assets and liabilities of the Bank's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments Accounted for Using the Equity Method

The Bank uses the equity method to account for its investments in subsidiaries and associates.

a. Investments in subsidiaries

   A subsidiary is an entity (including a structured entity) that is controlled by the Bank.

   Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank's share of equity of subsidiaries attributable to the Bank.

   Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are equity transactions. The Bank recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

   When the Bank's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using 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.

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

The Bank assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the financial statements of the investee company as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Bank recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Bank loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, 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 if the Bank had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the Bank's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the Bank's financial statements only to the extent of interests in the subsidiaries that are not related to the Bank.

b. Investments 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. The Bank uses the equity method to account for its investments in associates.

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 the equity of associates attributable to the Bank.

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

When the Bank subscribes for additional new shares of an associate at a percentage different from its existing 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 such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Bank's ownership interest is reduced due to its additional subscription of the new shares of the 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 had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using 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 using 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 obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an 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 Bank discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. 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. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

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 that interests in the associate are not related to the Bank.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 48.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

   A financial asset is credit impaired when one or more of the following events have occurred:

   i) Significant financial difficulty of the issuer or the borrower;

   ii) Breach of contract, such as a default;

   iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

   iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Bank may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, lease receivables, as well as contract assets.

For financial instruments and contract assets, the Bank recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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 credit assets into these five classes: Normal, special mention, substandard, doubtful and losses; the minimum loan loss provision and guarantee reserve for the unsound credit assets (those other than normal) should be 2%, 10%, 50% and 100%, respectively, of the outstanding credit balance.

The MOF issued a guideline stating that from January 1, 2014, the minimum loan loss provision and guarantee should be the sum of 1% of the outstanding balance of the normal credit asset's claim, 2% of the balance of special mention credit assets, 10% of the balance of substandard credit assets, 50% of the balance of doubtful credit assets, and the full balance of losses credit assets (excluding assets that represent claims against the central and local government in Taiwan). Also, in accordance with Rule No. 10300329440 issued by FSC, the minimum allowance for mortgage loans should be 1.5%.

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.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

3) 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.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

b. Equity instruments

Debt and equity instruments issued by the Bank 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.

Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

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

c. Financial liabilities

1) Subsequent measurement

A financial liability may be designated as at FVTPL 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 that would otherwise arise; or

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance 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; or

c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and 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 dividends paid on such 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 liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 45.

Financial guarantee contracts

Financial guarantee contracts issued by the Bank, if not designated as at FVTPL, are subsequently measured at the higher of:

a) The amount of the loss allowance reflecting expected credit losses; and

b) The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

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 credit assets into these five classes: Normal, special mention, substandard, doubtful and losses; the minimum loan loss provision and guarantee reserve for the unsound credit assets (those other than normal) should be 2%, 10%, 50% and 100%, respectively, of the outstanding credit balance.

The MOF issued a guideline stating that from January 1, 2014, the minimum loan loss provision and guarantee should be the sum of 1% of the outstanding balance of the normal credit asset’s claim, 2% of the balance of special mention credit assets, 10% of the balance of substandard credit assets, 50% of the balance of doubtful credit assets, and the full balance of losses credit assets (excluding assets that represent claims against the central and local government in Taiwan). Also, in accordance with Rule No. 10300329440 issued by FSC, the minimum allowance for mortgage loans should be 1.5%.

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 Resale Transactions

Securities purchased under resale agreements and securities sold under repurchase agreements 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.

Freehold land is not depreciated.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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, any 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.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets acquired separately

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. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Derecognition

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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 and net realizable value as of the balance sheet date.

Impairment of Tangible and Intangible Assets (Excluding Goodwill)

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any 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. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding 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 in profit or loss.

Leasing

2019

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Bank allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Bank as lessor

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

   When the Bank subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Bank, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

   Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Bank's net investment outstanding in respect of leases.

   Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

   Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

   When a lease includes both land and building elements, the Bank assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Bank as lessee

The Bank recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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. The Bank as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. 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.

Lease incentives included in an 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.

Lease incentives are recognized as income in the period in which they are incurred.

b. The Bank as lessee

Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating leases, contingent rentals are recognized as expenses in the 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 in which 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 liabilities (assets) represent 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 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 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 taxes for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. 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 the regulations of the Ministry of Finance, the interest revenue on credits covered by agreements that extend their repayment periods is recorded as deferred revenue and recognized as revenue upon collection.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

Dividend income from investments is recognized when the stockholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Bank and that the amount of income can be measured reliably.

The points earned by customers under loyalty program are treated as multiple-element arrangements, in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer. The consideration is not recognized in earnings at the original sales transactions but at the time when the points are redeemed and the Bank's obligation is fulfilled.

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.

Estimated Impairment of Financial Assets

The provision for impairment of loans, receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 46. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 6,865,456	$ 5,138,330
Checks for clearing	1,076,011	3,926,902
Due from banks	2,995,817	3,612,487
	$ 10,937,284	$ 12,677,719

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	December 31	
	2019	2018
Deposit reserve - checking account	$ 2,968,938	$ 10,140,387
Required deposit reserve	13,808,552	12,719,759
Deposit reserve - foreign-currency deposits	90,318	76,833
Call loans to banks	477,078	6,325,655
	$ 17,344,886	$ 29,262,634

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

In addition, the foreign-currency reserve deposits are determined at rates prescribed for balances of foreign-currency deposits. These reserves may be withdrawn anytime and do not bear interest.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets designated as at fair value through profit or loss		
Commercial paper	$ 29,670,103	$ 31,510,394
Domestic listed stock	-	578,929
Beneficiary certificates	532,562	2,313,976
Principal guaranteed notes	-	1,368,547
Asset-backed securities	67,361	60,415
Future exchange margins	61,302	-
	30,331,328	35,832,261
Derivative financial instruments		
Foreign exchange forward contracts	42,044	406,099
Currency swap contracts	199,417	79,147
Option contracts	26,985	36,521
Cross-currency swap contracts	-	1,667
	268,446	523,434
	$ 30,599,774	$ 36,355,695
Financial liabilities held for trading		
Derivative financial instruments		
Option contracts	$ 26,976	$ 36,522
Foreign exchange forward contracts	27,623	43,633
Currency swap contracts	578,677	227,644
Cross-currency swap contracts	17,705	-
	$ 650,981	$ 307,799

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, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Currency swap contracts	$ 67,054,535	$ 53,298,782
Foreign exchange forward contracts	3,223,477	4,995,891
Cross-currency swap contracts	3,638,415	463,125
Option contracts		
Buy	1,178,033	899,831
Sell	1,178,033	899,831

As of December 31, 2019 and 2018, financial assets at fair value through profit and loss in the amounts of $13,458,214 thousand and $12,453,108 thousand, respectively, were sold under repurchase agreements.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic listed shares	$ 1,364,797	$ 3,466,804
Overseas listed shares	5,311,947	3,811,075
Domestic unlisted shares	1,047,719	1,011,440
Overseas REITs	-	129,905
	7,724,463	8,419,224
Investments in debt instruments at FVTOCI		
Overseas corporate bonds	9,801,611	9,019,959
Overseas bond debentures	5,394,699	5,091,463
Overseas government bonds	5,772,116	5,897,016
Corporate bonds	6,736,723	4,190,917
Government bonds	5,532,808	499,895
	33,237,957	24,699,250
	$ 40,962,420	$ 33,118,474

Details of the Banks investments in foreign and domestic listed and unlisted shares are as follows:

	December 31	
	2019	2018
Taiwan Futures Exchange	$ 439,293	$ 424,908
Financial Information Service Co., Ltd.	294,550	267,269
iPass Corporation	84,205	94,313
Taiwan Asset Management Corporation	77,077	74,748
Taiwan Depository & Clearing Corporation	59,862	56,680
Taiwan Financial Asset Service Corporation	48,244	47,788
Others	44,488	45,734
	$ 1,047,719	$ 1,011,440

a. Investments in equity instruments at FVTOCI

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. The management of the bank considers the fact if the investment classified as fair value through profit or loss, it does not correspond with the purpose. Therefore, the management elected to designate these investments in equity instruments as at FVTOCI.

b. Investments in debt instruments at FVTOCI

For further information regarding credit risk management and impairment assessment of financial assets at FVTOCI, refer to Note 11.

The Bank sold $19,671,156 thousand and $12,865,389 thousand of financial assets at FVTOCI under a repurchase agreement on December 31, 2019 and 2018, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2019	**2018**
Negotiable certificates of deposit	$ 42,960,000	$ 42,200,000
Debt instruments		
Government bonds	11,173,137	9,828,243
Overseas asset-backed securities	50,037,012	42,121,629
	61,210,149	51,949,872
	$ 104,170,149	$ 94,149,872

For further information regarding credit risk management and impairment assessment on financial assets at amortized cost, refer to Note 11.

The Bank has sold $44,134,600 thousand and $28,655,857 thousand of financial assets at amortized cost under repurchase agreements on December 31, 2019 and 2018.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Debt instruments that the Bank invested in have been further split into two categories, financial assets at FVTOCI and financial assets at amortized cost.

	December 31, 2019		
	Financial Assets at FVTOCI	**Financial Assets at Amortized Cost**	**Total**
Book value	$ 32,635,267	$ 61,513,617	$ 94,148,884
Loss allowance	(81,219)	(303,468)	(384,687)
Fair value adjustment	683,909	-	683,909
	$ 33,237,957	$ 61,210,149	$ 94,448,106

	December 31, 2018		
	Financial Assets at FVTOCI	Financial Assets at Amortized Cost	Total
Book value	$ 25,665,800	$ 52,215,774	$ 77,881,574
Loss allowance	(63,557)	(265,902)	(329,459)
Fair value adjustment	(902,993)	-	(902,993)
	$ 24,699,250	$ 51,949,872	$ 76,649,122

The Bank continuously monitors the external credit rating information and price movements of the debt instruments invested in to assess whether their credit risks have significantly increased since initial recognition.

The Bank takes into consideration the multi-period default probability table for each rating of securities issued by credit rating agencies and the recovery rates of different types of bonds to assess the 12-month expected credit losses or lifetime expected credit losses.

The carrying values of financial assets at FVTOCI and at amortized cost sorted by credit rating are as follows:

Credit Ratings	Definition	ECL Recognition Basis	Expected Credit Loss Rate	Carrying Value (Including Premiums and Discounts) on December 31, 2019
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-4.2026%	$ 94,448,106
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses	Note	-
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses	%	-

Credit Ratings	Definition	ECL Recognition Basis	Expected Credit Loss Rate	Carrying Value (Including Premiums and Discounts) on December 31, 2018
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-2.261%	$ 76,338,664
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses	4.208%	310,458
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses	100%	-

Note: Credit rating of investment made in debt instruments on December 31, 2019 was normal, it did not apply.

The following table shows changes in balances of loss allowances of financial assets at FVTOCI and debt instruments at amortized cost, sorted by credit risk ratings resulting from the application of IFRS 9:

	Credit Risk Ratings		
	Low Credit Risk	**Significant Increase in Credit Risk (Lifetime Expected Credit Losses with No Credit Impairment)**	**Default Evidence of Impairment (Lifetime Expected Credit Losses with Credit Impairment)**
Balance as of January 1, 2019 (IFRS 9)	$ 316,146	$ 13,313	$ -
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	-	-
Significant increase in credit risk to low credit risk	13,313	(13,313)	-
Significant increase in credit risk to default		-	-
New debt instruments purchased	2,746	-	-
Derecognition	(567)	-	-
Changes in risk or model parameters	60,927	-	-
Change in exchange rates	(7,878)	-	-
Loss allowance on December 31, 2019	$ 384,687	$ -	$ -
Balance as of January 1, 2018 (IAS 39)	$ 258,245	$ -	$ -
Retrospective application effect of IFRS 9	22,780	-	-
Balance as of January 1, 2018 (IFRS 9)	281,025	-	-
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	13,313	-
Significant increase in credit risk to default	-	-	-
New debt instruments purchased	1,294	-	-
Derecognition	(701)	-	-
Changes in risk or model parameters	26,029	-	-
Change in exchange rates	8,499	-	-
Loss allowance on December 31, 2018	$ 316,146	$ 13,313	$ -

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2019	**2018**
Commercial paper	$ 24,223,631	$ 30,533,909
Government bonds	-	1,000,010
Corporate bonds	22,966,28	32,933,199
Negotiable certificates of deposit	4,170,311	4,000,247
	$ 51,360,225	$ 68,467,365
Maturity date	2020.01-2020.02	2019.01-2019.02
Resale price	$ 51,375,398	$ 69,491,589

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

13. RECEIVABLES, NET

	December 31	
	2019	2018
Notes and accounts receivable	$ 16,761,640	$ 15,247,121
Interest receivable	1,050,920	912,511
Interbank clearing fund receivable	1,200,345	800,244
Accounts receivable factoring without recourse	443,208	183,566
Investment receivable	545,843	293,640
Acceptances receivable	112,902	188,102
Collections receivable	231,540	138,044
Others	286,756	376,037
	20,633,154	18,139,265
Less: Allowance for doubtful accounts	200,252	268,552
	$ 20,432,902	$ 17,870,713

The changes in gross carrying amounts of receivables for the year ended December 31, 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 16,786,150	$ 99,394	$ 1,253,721	$ 18,139,265
Receivables assessed collectively	(249,467)	49,556	199,911	-
Receivables purchased or originated	8,716,507	40,544	107,104	8,864,155
Write-offs	(78,569)	(28,758)	(176,084)	(283,411)
Derecognition	(5,757,915)	(54,501)	(274,439)	(6,086,855)
Balance at December 31, 2019	$ 19,416,706	$ 106,235	$ 1,110,213	$ 20,633,154
Balance at January 1, 2018	$ 16,411,732	$ 89,565	$ 1,314,440	$ 17,815,737
Receivables assessed collectively	(249,705)	48,322	201,383	-
Receivables purchased or originated	7,085,765	40,042	110,348	7,236,155
Write-offs	(86,762)	(27,400)	(104,271)	(218,433)
Derecognition	(6,374,880)	(51,135)	(268,179)	(6,694,194)
Balance at December 31, 2018	$ 16,786,150	$ 99,394	$ 1,253,721	$ 18,139,265

Refer to Note 46 for the impairment loss analysis of receivables.

The Bank has accrued an allowance for doubtful accounts on receivables, the changes in allowance for doubtful accounts on receivables for the year ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	$ 22,109	$ 17,977	$ 157,800	$ 197,886	$ 70,666	$ 268,552
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(225)	329	(104)	-	-	-
Credit-impaired financial assets	(539)	(4,448)	4,987	-	-	-
12-month ECL	453	(334)	(119)	-	-	-
Derecognition of financial assets in the current reporting period	(6,919)	(5,267)	(12,950)	(25,136)	-	(25,136)
New financial assets purchased or originated	107,776	38,816	119,258	265,850	-	265,850
Difference of impairment loss under regulations	-	-	-	-	(26,027)	(26,027)
Write-offs	(78,569)	(28,758)	(176,084)	(283,411)	-	(283,411)
Recovery of written-off receivables	-	-	230,839	230,839	-	230,839
Change in others	(55)	176	(230,440)	(230,319)	-	(230,319)
Change in others	(96)	-	-	(96)	-	(96)
Balance at December 31, 2019	$ 43,935	$ 18,491	$ 93,187	$ 155,613	$ 44,639	$ 200,252

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2018	$ 45,116	$ 1,792	$ 150,236	$ 197,144	$ 7,892	$ 205,036
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(429)	496	(67)	-	-	-
Credit-impaired financial assets	(1,092)	(504)	1,596	-	-	-
12-month ECL	122	(107)	(15)	-	-	-
Derecognition of financial assets in the current reporting period	(29,017)	(371)	(5,400)	(34,788)	-	(34,788)
New financial assets purchased or originated	94,185	43,907	115,267	253,359	-	253,359
Difference of impairment loss under regulations	-	-	-	-	62,774	62,774
Write-offs	(86,762)	(27,400)	(104,271)	(218,433)	-	(218,433)
Recovery of written-off receivables	-	-	269,494	269,494	-	269,494
Change in others	(14)	164	(269,040)	(268,890)	-	(268,890)
Balance at December 31, 2018	$ 22,109	$ 17,977	$ 157,800	$ 197,886	$ 70,666	$ 268,552

14. DISCOUNTS AND LOANS, NET

		December 31	
		2019	2018
Discounts and overdraft		$ 27,537	$ 32,467
Accounts receivable - financing		19,570	12,147
Loans			
Short-term	- unsecured	50,364,941	30,569,537
	- secured	73,471,679	67,127,057
Medium-term	- unsecured	30,733,615	23,347,445
	- secured	69,154,200	60,020,806
Long-term	- unsecured	7,877,847	6,440,964
	- secured	158,405,628	142,841,656
Import and export negotiations		271,447	84,667
Overdue loans		356,275	213,760
		390,682,739	330,690,506
Less: Allowance for doubtful accounts		4,298,955	3,852,653
		$ 386,383,784	$ 326,837,853

As of December 31, 2019 and 2018, the balances of nonaccrual loans were $356,275 thousand and $213,760 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $9,095 thousand in 2019 and $6,529 thousand in 2018.

In 2019 and 2018, the Bank wrote off certain credits after completing the required legal procedures.

The Bank had set up an allowance for doubtful accounts on discounts and loans.

The changes in the gross carrying amounts on receivables for the year ended December 31, 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 327,119,720	$ 1,798,887	$ 1,771,899	$ 330,690,506
Discount and loans assessed collectively	(748,108)	301,219	446,889	-
Discount and loans purchased or originated	224,778,107	747,886	202,096	225,728,089
Write-offs	-	-	(81,255)	(81,255)
Derecognition	(164,011,919)	(832,412)	(810,270)	(165,654,601)
Balance at December 31, 2019	$ 387,137,800	$ 2,015,580	$ 1,529,359	$ 390,682,739

(Continued)

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 318,214,516	$ 2,120,891	$ 1,690,759	$ 322,026,166
Discount and loans assessed collectively	(421,079)	(28,093)	449,172	-
Discount and loans purchased or originated	184,212,323	624,030	690,586	185,526,939
Write-offs	-	-	(78,905)	(78,905)
Derecognition	(174,886,040)	(917,941)	(979,713)	(176,783,694)
Balance at December 31, 2018	$ 327,119,720	$ 1,798,887	$ 1,771,899	$ 330,690,506

(Concluded)

Refer to Note 46 for the impairment loss analysis of discounts and loans.

The Bank has accrued an allowance for doubtful accounts on discount and loans, the changes in allowance for doubtful accounts on discounts and loans for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	$ 170,493	$ 162,436	$ 284,614	$ 617,543	$ 3,235,110	$ 3,852,653
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(245)	2,983	(2,738)	-	-	-
Credit-impaired financial assets	(223)	(17,140)	17,363	-	-	-
12-month ECL	18,486	(13,622)	(4,864)	-	-	-
Derecognition of financial assets in the current reporting period	(125,299)	(87,556)	(13,245)	(226,100)	-	(226,100)
New financial assets purchased or originated	196,926	76,698	86,993	360,617	-	360,617
Difference of impairment loss under regulations	-	-	-	-	275,469	275,469
Write-offs	-	-	(81,255)	(81,255)	-	(81,255)
Recovery of written-off receivables	-	-	291,920	291,920	-	291,920
Change in others	(18,434)	51,805	(206,141)	(172,770)	-	(172,770)
Change in exchange rate	(1,579)	-	-	(1,579)	-	(1,579)
Balance at December 31, 2019	$ 240,125	$ 175,604	$ 372,647	$ 788,376	$ 3,510,579	$ 4,298,955

(Continued)

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2018	$ 500,131	$ 8,392	$ 245,124	$ 753,647	$ 2,648,171	$ 3,401,818
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to					-	-
Lifetime ECL	(570)	1,582	(1,012)	-	-	-
Credit-impaired financial assets	(342)	(1,549)	1,891	-	-	-
12-month ECL	3,090	(3,090)	-	-	-	-
Derecognition of financial assets in the current reporting period	(461,939)	(1,894)	(19,599)	(483,432)	-	(483,432)
New financial assets purchased or originated	131,929	75,518	41,350	248,797	-	248,797
Difference of impairment loss under regulations	-	-	-	-	586,939	586,939
Write-offs	-	-	(78,905)	(78,905)	-	(78,905)
Recovery of written-off receivables	-	-	289,320	289,320	-	289,320
Change in others	(2,850)	83,477	(194,606)	(113,979)	-	(113,979)
Change in exchange rate	1,044	-	1,051	2,095	-	2,095
Balance at December 31, 2018	$ 170,493	$ 162,436	$ 284,614	$ 617,543	$ 3,235,110	$ 3,852,653

(Concluded)

15. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	December 31 2019	December 31 2018
Provision of allowance for doubtful accounts		
Receivables	$ (15,632)	$ 12,455
Discounts and loans	237,216	238,325
Reserve for losses on guarantees	5,000	26,367
Reserve for losses on loan commitments	9,000	14,838
	$ 235,584	$ 291,985

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31 2019	December 31 2018
Investments in subsidiaries	$ 3,787,538	$ 3,102,333
Investments in associates	1,587,482	1,623,462
	$ 5,375,020	$ 4,725,795

a. Investments in subsidiaries

	December 31	
	2019	2018
Union Finance and Leasing International Corporation (UFLIC)	$ 2,973,739	$ 2,879,129
Union Securities Investment Trust Corporation (USITC)	388,935	132,313
Union Finance International (H.K.) Limited	104,186	69,721
Union Information Technology Corporation (UIT)	20,832	21,170
Union Venture Capital Corporation	299,846	-
	$ 3,787,538	$ 3,102,333

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	
	2019	2018
Union Finance and Leasing International Corporation (UFLIC)	100.00%	100.00%
Union Securities Investment Trust Corporation (USITC)	99.60%	35.00%
Union Finance International (H.K.) Limited	99.99%	99.99%
Union Information Technology Corporation (UIT)	99.99%	99.99%
Union Venture Capital Corporation	100.00%	-

To integrate resources and enhance operating effectiveness, the board of director had approved to purchase 65% equity interest of Union Securities Investment Trust Corporation at $13.67 per share. The highest price paid was estimated at $266,565 thousand. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802037180. The Bank spent a total of 264,909 thousand to purchase 64.60% equity interest of Union Securities Investment Trust Corporation in July and December 2019, respectively. After the transaction was completed, the shareholding ratio was 99.60%. For the disclosure related to purchase of Union Securities Investment Trust Corporation, refer to Note 53 to the financial statements for equity transactions with non-controlling interests of Union Bank of Taiwan for the year ended December 31, 2019 and 2018.

In order to actively support the FSC’s needs to adapt to the nation’s overall industry development, and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, Union Bank of Taiwan established Union Venture Capital in coordination with the nation’s financial policies, which was approved by the board of directors on September 26, 2018. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802042270. Union Venture Capital had been established by the Bank on November 21, 2019. The total investment amount was $300,000 thousand, and the Bank held 100% of Union Venture Capital’s shares.

b. Investments in associates

	December 31	
	2019	2018
Not individually material		
Union Real-Estate Management Corporation	$ 52,513	$ 52,832
Line BIZ+ Taiwan Limited	1,534,969	1,570,630
	$ 1,587,482	$ 1,623,462

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

	For the Year Ended December 31	
	2019	2018
Net loss	$ (35,980)	$ (9,636)

To promote innovative financial technology services and popularize mobile payment endorsed by the government, the board of directors of the Bank approved the investment in Line BIZ+ Taiwan Limited on July 25, 2018 and later acquired 5,471 thousand of their ordinary shares with a price of $1,579,977 thousand on September 21, 2018, resulting in a 10% shareholding and a seat on the board. The Bank has significant influence over Line BIZ+ Taiwan Limited; thus, the Bank uses the equity method to account for the investment.

The Bank's share of profit and other comprehensive income recognized from investments in associates other than Line BIZ+ Taiwan Limited during the fiscal years 2019 and 2018 were based on financial statements audited by their respective auditors for the same reporting periods as those of the Bank

Management of the Bank considers the fact that numbers quoted from the non-audited financial statements of Line BIZ+ Taiwan Limited will not lead to material misstatements on the Bank's financial statements.

17. OTHER FINANCIAL ASSETS, NET

	December 31	
	2019	2018
Pledged assets (Note 42)	$ 1,424,467	$ 617,767
Due from banks - certificate of deposit	2,092,376	1,060,360
Call loans to securities	-	522,461
Others	3,285	4,371
	$ 3,520,128	$ 2,204,959

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, 2018	$ 3,845,623	$ 5,154,708	$ 1,316,499	$ 297,163	$ 314,070	$ 53,650	$ 10,981,713
Additions	-	19,379	81,010	17,308	46,317	59,840	223,854
Disposals	(225)	-	(65,833)	(5,467)	(289)	-	(71,814)
Reclassification	-	382	12,018	758	15,663	(39,679)	(10,858)
Balance at December 31, 2018	3,845,398	5,174,469	1,343,694	309,762	375,761	73,811	11,122,895
Accumulated depreciation							
Balance at January 1, 2018	-	1,532,528	992,298	254,011	141,261	-	2,920,098
Depreciation	-	125,502	104,226	13,022	46,008	-	288,758
Disposals	-	-	(63,372)	(5,092)	-	-	(68,464)
Balance at December 31, 2018	-	1,658,030	1,033,152	261,941	187,269	-	3,140,392
Balance at December 31, 2018, net	$ 3,845,398	$ 3,516,439	$ 310,542	$ 47,821	$ 188,492	$ 73,811	$ 7,982,503

(Continued)

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2019	$ 3,845,398	$ 5,174,469	$ 1,343,694	$ 309,762	$ 375,761	$ 73,811	$ 11,122,895
Additions	-	18,590	60,183	11,019	20,690	176,387	286,869
Disposals	-		(42,074)	(6,041)	(1,864)		(49,979)
Reclassification	-	985	17,743	1,676	10,626	(42,339)	(11,309)
Balance at December 31, 2019	3,845,398	5,194,044	1,379,546	316,416	405,213	207,859	11,348,476
Accumulated depreciation							
Balance at January 1, 2019	-	1,658,030	1,033,152	261,941	187,269	-	3,140,392
Depreciation	-	128,883	114,205	15,266	50,841	-	309,195
Disposals	-	-	(40,032)	(5,894)	(578)	-	(46,504)
Balance at December 31, 2019	-	1,786,913	1,107,325	271,313	237,532	-	3,403,083
Balance at December 31, 2019, net	$ 3,845,398	$ 3,407,131	$ 272,221	$ 45,103	$ 167,681	$ 207,859	$ 7,945,393

(Concluded)

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives 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 amounted to an aggregate of $447,614 thousand. The building area increased due to the exercise of the TDR belonged to UFLIC.

On July 25, 2018, the board of directors of the Bank and UFLIC resolved to rescind the cooperation contract in Tucheng District, New Taipei City. To avoid additional time and cost on transfer development right and field investigation on the project, the Bank and UFLIC have agreed upon UFLIC to continue finishing the project while the Bank will engage third parties to construct on the land owned. The estimated cost amounting to $887,240 thousand, including the previous cost of purchasing land.

19. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land and buildings	$ 1,361,636

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 589,466
Depreciation charge for right-of-use assets	
Land and buildings	$ 417,701

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 1,338,560

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land and buildings	0.90%-0.93%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 214,161
Total cash outflow for leases	$ (626,652)

The Bank leases certain assets which qualify as short-term leases. The Bank has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 561,970
Later than 1 year and not later than 5 years	556,666
Later than 5 years	292,699
	$ 1,411,355

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 was no longer required from January 1, 2006.

The Bank merged with Union Bills Finance Corporation on August 16, 2010, with the Bank as the surviving 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, 2019 and 2018, the balances of accumulated impairment were both $902,691 thousand.

21. OTHER ASSETS, NET

	December 31	
	2019	2018
Refundable deposits	$ 2,533,030	$ 2,084,298
Prepaid expenses	580,516	405,938
Prepaid pensions cost (Note 28)	153,564	-
Others	192	183
	$ 3,267,302	$ 2,490,419

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2019	2018
Due to Chunghwa Post Co., Ltd.	$ 5,599,730	$ 5,599,730
Call loans from banks	5,500,000	5,500,000
Due to the Central Bank and other banks	145,784	128,863
Overdraft	55,409	161,248
	$ 11,300,923	$ 11,389,841

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2019	2018
Commercial paper	$ 13,471,704	$ 12,462,948
Asset-based securities	34,959,474	19,716,083
Corporate bonds	8,259,790	7,389,338
Government bonds	4,177,567	3,917,112
Financial bonds	4,508,901	848,907
	$ 65,377,436	$ 44,334,388
Maturity date	2020.01-2020.07	2019.01-2019.03
Repurchase price	$ 65,663,465	$ 44,509,373

24. PAYABLES

	December 31	
	2019	2018
Notes and checks in clearing	$ 1,076,011	$ 3,926,902
Interest payable	894,802	821,065
Accrued expenses	891,680	712,681
Investments payable	455,093	420,237
Collections payable	237,076	147,465
Bank acceptances payable	112,902	189,277
Tax taxable	108,324	98,627
Reimbursed for settlement	127,900	21,170
Others	615,408	575,163
	$ 4,519,286	$ 6,912,587

25. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking deposits	$ 5,866,457	$ 6,081,176
Demand deposits	93,047,892	80,650,690
Savings deposits	327,270,693	302,787,459
Time deposits	107,187,235	114,105,307
Negotiable certificates of deposit	234,500	10,477,200
Inward and outward remittances	49,186	284,968
	$ 533,655,963	$ 514,386,800

26. BANK DEBENTURES

	December 31	
	2019	2018
First issue of subordinated bank debentures in 2012; fixed rate at 2.32%; maturity: March 2019	$ -	$ 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	2,500,000
First issue of subordinated bank debentures in 2017; 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%	500,000	500,000
First issue of subordinated bank debentures in 2019; fixed rate at 1.10%; maturity: September 2026	500,000	-
First issue of subordinated bank debentures in 2019; fixed rate at 1.23%; maturity: September 2029	1,500,000	-
	$ 10,200,000	$ 9,700,000

27. PROVISIONS

	December 31	
	2019	2018
Provisions for employee benefits	$ -	$ 18,732
Reserve for losses on guarantees and loan commitments	221,488	207,539
Others	28,479	26,678
	$ 249,967	$ 252,949

The Bank has accrued an allowance for doubtful accounts on guarantees and loan commitments; the changes in allowance for doubtful accounts on guarantees and loan commitments for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	$ 24,420	$ 3,450	$ 28,732	$ 56,557	$ 150,982	$ 207,539
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(20)	20	-	-	-	-
Credit-impaired financial assets	(34)	(8)	42	-	-	-
12-month ECL	`736	(716)	(20)	-	-	-
Derecognition of financial assets in the current reporting period	(16,943)	(2,660)	(28,733)	(48,336)	-	(48,336)
New financial assets purchased or originated	43,186	3,672	28,179	74,987		74,987
Difference of impairment loss under regulations	-	-	-	-	(12,691)	(12,691)
Change in others	-	40	-	40	-	40
Change in exchange rates	(51)	-	-	(51)	-	(51)
Balance at December 31, 2019	$ 51,294	$ 3,753	$ 28,150	$ 83,197	$ 138,291	$ 221,488
Balance at January 1, 2018	$ 53,685	$ 304	$ 20	$ 54,009	$ 112,274	$ 166,283
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(47)	47	-	-	-	-
Credit-impaired financial assets	(70)	(59)	129	-	-	-
12-month ECL	148	(147)	(1)	-	-	-
Derecognition of financial assets in the current reporting period	(45,622)	(135)	(78)	(45,835)	-	(45,835)
New financial assets purchased or originated	16,275	3,395	41	19,711	-	19,711
Difference of impairment loss under regulations	-	-	-	-	38,708	38,708
Change in others	-	-	28,621	28,621	-	28,621
Change in exchange rates	51	-	-	51	-	51
Balance at December 31, 2018	$ 24,420	$ 3,405	$ 28,732	$ 56,557	$ 150,982	$ 207,539

28. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the 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	
	2019	**2018**
Present value of defined benefit obligation	$ (1,667,125)	$ (1,604,372)
Fair value of plan assets	1,820,689	1,585,640
Deficit (surplus)	153,564	(18,732)
Net defined benefit asset (liability)	$ 153,564	$ (18,732)

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Total**
Balance at January 1, 2018	$ (1,536,301)	$ 1,530,695	$ (5,606)
Service cost			
Current service cost	(15,851)	-	(15,851)
Net interest expense (income)	(18,820)	18,751	(69)
Recognized in profit or loss	(34,671)	18,751	(15,920)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	36,826	36,826
Actuarial loss - changes in financial assumptions	47,120	-	47,120
Actuarial gain - experience adjustments	(97,097)	-	(97,097)
Recognized in other comprehensive income	(49,977)	36,826	(13,151)
Contributions from the employer	-	15,945	15,945
Benefits paid	16,577	(16,577)	-
Balance at December 31, 2018	$ (1,604,372)	$ 1,585,640	$ (18,732)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2019	$ (1,604,372)	$ 1,585,640	$ (18,732)
Service cost			
Current service cost	(15,948)	-	(15,948)
Net interest expense (income)	(16,175)	15,986	(189)
Recognized in profit or loss	(32,123)	15,986	(16,137)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	258,055	258,055
Actuarial loss - changes in financial assumptions	(56,455)	-	(56,455)
Actuarial gain - experience adjustments	(28,748)	-	(28,748)
Recognized in other comprehensive income	(85,203)	258,055	172,852
Contributions from the employer		15,581	15,581
Benefits paid	54,573	(54,573)	-
Balance at December 31, 2019	$ (1,667,125)	$ 1,820,689	$ 153,564

(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	
	2019	2018
Discount rate	0.702%	1.008%
Expected rates of future salary increase	2.50%	2.50%

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	
	2019	2018
Discount rate(s)		
0.25% increase	$ (46,310)	$ (45,804)
0.25% decrease	$ 48,173	$ 47,711
Expected rate(s) of salary increase		
0.25% increase	$ 46,541	$ 46,235
0.25% decrease	$ (44,991)	$ (44,630)

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	
	2019	2018
The expected contributions to the plan for the next year	$ 15,971	$ 16,343
The average duration of the defined benefit obligation	12 years	12 years

29. OTHER LIABILITIES

	December 31	
	2019	2018
Advance receipts	$ 699,003	$ 433,840
Guarantee deposits received	107,985	100,595
Others	96,085	110,177
	$ 903,073	$ 644,612

30. EQUITY

a. Capital stock

Common stock

	December 31	
	2019	2018
Number of shares authorized (in thousands)	4,500,000	4,500,000
Amount of shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,884,455	2,690,013
Amount of shares issued	$ 28,844,553	$ 26,900,129

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

Preferred stock

Due to the capital needs of the Bank for future long-term business development and operational scale expansion, the Bank's shareholders approved and authorized the board of directors to issue ordinary shares or special shares for domestic cash capital increase (one or both, as appropriate) in accordance with the provisions of the Articles of Incorporation or the relevant laws and regulations, in order to raise the long-term funds. The total funds to be raised through issuing new shares as authorized this time shall not be more than NT$10 billion (inclusive) as the principle. The number of shares for issue shall not be more than 800,000,000 shares (inclusive) as the principle. On June 28, 2017, the Banks's board of directors resolved to issue preferred stock - A totaling 200,000 thousand shares, with a par value of NT$10, at NT$50 per share in the total amount of NT$10,000,000 thousand on December 28, 2017. The issuance of shares has been approved by the FSC under Order No. 1060033586 issued on September 1, 2017.

On October 24, 2017, the capital from issue of preferred stock - A amounted to NT$10,000,000 thousand. The preferred stock - A was listed on Taiwan Stock Exchange on December 1, 2017.

The rights and other important conditions of issuance of the preferred stock - A are as follows:

1) Tenor: Perpetual.

2) Dividend Yield: An annual dividend yield is set at 4.8% (5-year IRS 0.89125%+3.90875%) per annum of the issue price at the pricing day. The 5-year IRS will be reset on the next business day after each 5.5 anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 5-year IRS rate is the arithmetic mean of 5-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Bank will determine the rate based on reasonable market price with good faith.

3) Dividend Payment: Whereas the Bank profit in a fiscal year, the profit shall be first utilized for paying taxes, offset losses of previous years, and from the remaining profit set aside amount as legal reserve, and set aside or reverse special reserve in accordance with the laws and regulations, and distribute dividends to the preferred shareholders. The Bank has the sole discretion on the distribution of dividends of preferred stocks - A, which includes but not limited to the Bank's discretion to resolve not to distribute dividends to the preferred shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferred stocks, or if the distribution of dividends of preferred stocks may cause Total Capital Adequacy Ratio to be less than the authority's minimum requirement, or if the Bank has other essential considerations. If the Bank resolves not to distribute dividends to the preferred shareholders, the shareholders of preferred stock - A shall raise no objection. The unpaid dividend will not be carried forward to years with earnings. The stock dividends of preferred stocks - A are distributed by cash in one payment annually. After the shareholders, in their meeting, approved the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolved to distribute from the earnings cash dividends, the board of directors sets the record date of preferred stock - A for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date (or redemption date) of dividend. The amount of dividends distributed should be listed on the dividend statements.

4) Restrictions on Payment of Dividends to Ordinary shares: Except for the dividends prescribed in the preceding subparagraphs herein, the shareholders of preferred stock - A are not entitled to participate in the distribution of cash or stock dividends with regard to the ordinary shares derived from earnings or capital reserves.

5) Redemption: After 5.5 years from the issue date, the bank may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - A at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - A shall continue as specified herein. If the stockholders' meeting approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.

6) Liquidation preference: In the event of liquidation, except when the competent authority assigned officials to take receivership over the Bank, order the Bank to suspend and wind up business, or liquidate the Bank, in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", the order of priority for the distribution of the earnings and assets of the shareholders of preferred stock - A is the same as that of a common stockholder, the shareholders of preferred stock - A shall be given priority to claim on the Bank's remaining assets over the shareholders of common stocks, and equal to shareholders of other preferred stock issued by the Bank, but subordinate to the holders of Tier 2 capital, depositors, and other general creditors, and not more than the issuance amount of outstanding shares of preferred stock - A.

7) Voting Rights or Election Rights: The shareholders of preferred stock - A are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in preferred stock - A shareholders' meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of the shareholders of preferred stock - A.

8) Preferred stock - A shall not be converted into common stocks. The shareholders of the preferred stocks shall not require the Bank to redeem the rights of the preferred stocks - A.

9) When the bank issues new shares in cash, the shareholders of preferred stock - A and the common stock shall be entitled to equivalent preemptive rights on the new shares.

b. Capital surplus

	December 31	
	2019	**2018**
Issuance of preference shares	$ 8,000,000	$ 8,000,000
Treasury stock transactions	32,413	32,413
Ordinary share - premium	3,071	-
	$ 8,035,484	$ 8,032,413

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of ordinary shares, preference 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.

If a special reserve appropriated on the first-time adoption of IFRSs relates to investment properties other than land, the special reserve may be reversed continuously over the period of use. The special reserve relating to land may be reversed on the disposal or reclassification of the related assets.

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.

According to Order No. 1010012865 and No. 10510001510 issued by FSC that should appropriate special reserves.

	December 31	
	2019	**2018**
Balance at January 1, 2018	$ 612,656	$ 585,206
Special reserves appropriated	14,784	27,450
Balance at December 31, 2018	$ 627,440	$ 612,656

e. Retained earnings and dividend policy

The shareholders of the Bank held their regular meeting on May 31, 2019 and resolved the amendments to the Bank’s Articles of Incorporation (the “Articles”). The amendments explicitly stipulate that at the end of each half of the accounting year, the Bank may propose a proposal for the distribution of surplus or loss for the first half of the fiscal year, together with the business report and financial statements submitted to the audit committee for review, which are subject to the resolution of the board of directors. When allocating surpluses, in addition to estimating and retaining taxable donations, making up for losses according to law, and making statutory surplus reserves, it is also advisable to retain employee compensation.

Under the dividends policy as set forth in the amended Articles, if the Bank has made a profit at the end of the fiscal year, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated, then 30% shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount together with the accumulated undistributed profit from the previous year shall be subject to a profit distribution proposal prepared by the board of directors and shall be submitted to the shareholders’ meeting for a resolution regarding the distribution of shareholders’ dividends and bonuses.

When distributing the surplus of the preceding paragraph, the statutory surplus reserve and the capital reserve by way of issuing new shares, the shareholders’ meeting will be held to make a special resolution; the cash assignor is authorized to distribute the surplus by the board of directors with more than two-thirds of the directors attending and resolution of more than half of the directors, and a report of such distribution should be submitted in the shareholders’ meeting.

Under the dividends policy as set forth in the Articles before the amendments, if the Bank has made a profit at the end of the fiscal year, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated, then 30% shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount together with the accumulated undistributed profit from the previous year shall be subject to a profit distribution proposal prepared by the board of directors and shall be submitted to the shareholders' meeting for a resolution on the distribution of shareholders' dividends and bonuses.

When distributing the surplus of the preceding paragraph, the statutory surplus reserve and the capital reserve by way of issuing new shares, the shareholders' meeting will be held to make a special resolution; the cash assignor is authorized to distribute the surplus by the board of directors with more than two-thirds of the directors attending and the resolution of more than half of the directors, and a report of such distribution should be submitted in the shareholders' meeting. The dividends and bonuses under the first paragraph shall be distributed in cash or stock, as determined by the board of directors based on the financial status at the time, future profitability status and capital budget planning of the Bank. In principle, if the ratio between the Bank's own capital and risky assets after distribution will be lower than the ratio stipulated by the competent authority by 1%, issuance of stock dividend may be given priority; before the level of capital reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of the total capital.

The appropriations from the earnings of 2018 and 2017 were approved in stockholders' meetings on June 8, 2018 and June 20, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)		
	2018	**2017**	**2018**	**2017**	
Legal reserve	$ 887,017	$ 823,496			
Special reserve	14,784	27,450			
Cash dividends on ordinary shares	-	1,042,061	$-	$0.40	
Share dividends on ordinary shares	1,883,009	781,546	0.7	0.30	
Cash dividends on preferred shares	480,000	90,740	2.4	0.45369863	(Note)

Note: 69 days of outstanding in 2018 and 4.8% dividend yield.

The appropriations from the 2019 earnings were proposed by the board of directors on March 11, 2020. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,007,837	
Special reserve	288,446	$0.1
Stock dividends on ordinary shares	2,019,119	0.7
Cash dividends on preference shares	480,000	2.4

The appropriation of earnings for 2019 will be approved in stockholders' meeting to be held on May 28, 2020.

f. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (413,524)	$ (765,444)
Exchange differences arising on translating the foreign operations	(227,061)	303,314
Income tax on related from translating the net assets of foreign operations	45,412	(36,924)
Share of exchange difference of subsidiaries accounted for using the equity method	(9,459)	85,530
Balance at December 31	$ (604,632)	$ (413,524)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1 (IFRS 9)	$ 2,073,347	$ 2,797,843
Generated this year		
Unrealized gain (loss)		
Debt instruments	1,611,224	(1,006,375)
Equity instruments	1,947,394	210,142
Adjustments to loss allowance for debt instruments	17,662	40,778
Share of associates	(153)	(4,269)
Disposal of debt instruments	(24,322)	(378)
Other comprehensive loss for the year	3,551,805	(760,102)
Acquisition of interest in subsidiary	(2,105)	-
Accumulated gain (loss) transferred retained earnings denied from disposal of equity instruments at FVTOCI	(333,523)	35,606
Balance at year-end	$ 5,289,524	$ 2,073,347

31. NET INTEREST

	For the Year Ended December 31	
	2019	2018
Interest revenue		
Discounts and loans	$ 7,825,653	$ 7,022,177
Credit card	836,083	789,060
Due from the Central Bank and call loans to other banks	231,389	128,912
Securities purchased under resell agreements	269,316	144,854
Debt instruments at amortized cost	1,912,430	1,995,101
Financial assets at FVTOCI	901,475	899,538
Others	47,033	37,222
	12,023,379	11,016,864

(Continued)

	For the Year Ended December 31	
	2019	2018
Interest expense		
Deposits	$ 3,900,744	$ 3,302,516
Securities sold under repurchase agreements	1,203,134	568,090
Bank debentures	246,880	294,889
Due to Chunghwa Post Co., Ltd.	48,489	16,362
Others	60,272	43,246
	5,459,519	4,225,103
	$ 6,563,860	$ 6,791,761

(Concluded)

32. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2019	2018
Commission and fee revenues		
Credit cards and cash cards	$ 1,319,093	$ 1,085,296
Insurance commission	871,886	903,812
Trust business	478,926	384,548
Loan business	390,072	285,365
Interbank service fee	101,056	101,957
Underwriting business	79,377	68,892
Guarantee business	109,034	107,355
Others	245,553	267,430
	3,594.997	3,204,655
Commission and fee expense		
Credit card	632,799	589,004
Interbank service fee	22,966	20,571
Acquiring liquidation deal	17,221	14,540
Verification of credit	35,532	37,960
Agency fee	17,117	15,550
Others	91,997	82,965
	817,632	760,590
	$ 2,777,365	$ 2,444,065

33. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2019	2018
Realized gain or loss on financial assets at fair value through profit or loss		
Currency swap contracts	$ 959,335	$ 504,342
Foreign exchange forward contracts	324,367	(151,378)
Interest revenue	272,159	196,079
Beneficial securities and shares	239,738	(160,323)
Cross currency swap contract	61,109	-
Dividend	35,191	26,359
Principal guaranteed notes	33,242	-
Commercial paper	8,220	14,975
Option contracts	3,125	5,167
Government bonds	1,783	(181)
Future exchange margins	1,124	-
Corporate bonds	-	282
	1,939,393	435,322
Unrealized gain or loss on financial assets at fair value through profit or loss		
Beneficial securities and shares	49,998	(35,278)
Government bonds and corporate bonds	8,302	(3,350)
Commercial paper	(1,257)	131
Derivative financial assets and liabilities	(585,369)	(139,551)
	(528,326)	(178,048)
	$ 1,411,067	$ 257,274

34. REALIZED GAIN ON FINANCIAL ASSETS AT FVOCI

	For the Year Ended December 31	
	2019	2018
Dividend revenue	$ 312,318	$ 435,866
Net profit from disposal of bonds	24,322	378
	$ 336,640	$ 436,244

35. LOSS FROM ASSETS IMPAIRMENT

	For the Year Ended December 31	
	2019	2018
Debt instruments at FVTOCI	$ (19,605)	$ (39,935)
Financial assets at amortized cost	(43,501)	-
Foreclosed collaterals	20,185	6,346
	$ (42,921)	$ (33,589)

36. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2019	2018
Salaries and wages	$ 3,085,297	$ 2,826,908
Pension		
Defined contribution plans	136,845	124,621
Defined benefit plans	16,137	15,920
Labor insurance and national health insurance	284,701	261,775
Director's remuneration	13,366	13,190
Others	51,735	61,095
	$ 3,588,081	$ 3,303,509

In 2019 and 2018, the Bank had an average of 3,987 and 3,767 employees, respectively, of which there were 9 non-employee directors in both years.

According to the Bank's Articles, the Bank accrued employees' compensation and remuneration of directors at the rates 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, 2019 and 2018 which have been approved by the Bank's board of directors on March 11, 2020 and March 13, 2019, respectively, were as follows:

Accrual Rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.84%	1.84%
Remuneration of directors	0.09%	0.09%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Share	Cash	Share
Employees' compensation	$ -	$ 74,567	$ -	$ 64,486
Remuneration of directors and supervisors	3,647	-	3,154	-

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.

The number of shares of the employees' compensation, which was determined by dividing the amount of the employees' compensation resolved for 2019 and 2018 by $10.65 and $10.5, respectively, which is the closing price per share on the day immediately preceding the meeting of the Bank's board of directors was 7,002 thousand shares and 6,142 thousand shares for 2019 and 2018, respectively.

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 in 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2019	2018
Property and equipment	$ 309,195	$ 288,758
Intangible assets	82,521	66,181
Right of use assets	417,710	-
	$ 809,417	$ 354,939

38. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2019	2018
Taxation and government fee	$ 603,211	$ 550,656
Advertisement	599,870	431,080
Outsourcing service	315,017	297,055
Postage/cable charge	259,700	257,748
Rental	214,161	615,361
Computer operating	166,438	171,658
Deposit insurance	140,993	135,088
Maintenance charge	114,228	92,812
Marketing	91,122	91,760
Printing and binding	48,470	46,503
Donation	24,423	31,822
Others	475,274	462,711
	$ 3,052,907	$ 3,184,254

39. 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	
	2019	2018
Current tax		
Current year	$ 464,521	$ 24,379
Prior year's adjustments	4,803	(10,460)
Deferred tax		
Current year	145,586	540,573
Change in tax rate	-	(74,191)
Income tax expense recognized in profit or loss	$ 614,910	$ 480,301

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2019 and 2018 is as follows:

	For the Year Ended December 31	
	2019	**2018**
Income before tax	$ 3,974,367	$ 3,437,025
Income tax expense at the 20% statutory rate	$ 794,873	$ 687,405
Tax-exempt income	(212,875)	(116,985)
Disposal of investments in overseas equity instruments at fair value through other comprehensive income	1,387	(32,384)
Nondeductible expenses in determining taxable income	4,275	40
Additional income tax under the Alternative Minimum Tax Act	-	24,379
Unrecognized deductible temporary differences	22,387	2,497
Adjustments for prior year's tax	4,803	(10,460)
	-	(74,191)
Income tax expense recognized in profit or loss	$ 614,910	$ 480,301

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings was reduced from 10% to 5%.

As the manner of the 2020 appropriation of the 2019 earnings is uncertain, the income tax consequences on the 2019 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Recognized in other comprehensive income:		
Exchange differences on the translation of financial statements of foreign operations	$ 45,412	$ (36,924)
Unrealized loss from financial assets at FVTOCI	(300,174)	(207,225)
Actuarial gains and losses on defined benefit plans	(34,570)	9,791
Total income tax expenses recognized in other comprehensive income	$ (289,332)	$ (234,358)

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, 2019

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
Temporary differences					
Impairment loss of financial instruments	$ 54,652	$ (11,952)	$ -	$ -	$ 42,700
Employee benefit plan	174,762	3,136	(3,914)	-	173,984
Payable for annual leave	6,120	1,250	-	-	7,370
Allowance for possible losses and reserve for losses on guarantees	129,642	(47,915)	-	-	81,727
Exchange difference on translation of foreign operations	97,598	-	45,412	-	143,010
Others	24,239	67,749	-	-	91,988
	487,013	12,268	41,498	-	540,779
Loss carryforwards	147,764	(147,764)	-	-	-
	$ 634,777	$ (135,496)	$ 41,498	$ -	$ 540,779
Deferred tax liabilities					
Temporary differences					
Financial assets at fair value through other comprehensive income	$ (695,947)	$ -	$ (300,174)	$ -	$ (996,121)
Amortization of goodwill impairment loss	(397,061)	-	-	-	(397,061)
Others	(135,711)	(10,090)	(30,656)	-	(176,457)
	$ (1,228,719)	$ (10,090)	$ (330,830)	$ -	$ (1,569,639)

For the year ended December 31, 2018

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
Temporary differences					
Impairment loss of financial instruments	$ 46,454	$ 8,198	$ -	$ -	$ 54,652
Exchange difference on translation of foreign operations	134,522	-	(36,924)	-	97,598
Employee benefit plan	143,692	21,279	9,791	-	174,762
Allowance for possible losses and reserve for losses on guarantees	31,806	97,836	-	-	129,642
Payable for annual leave	5,790	330	-	-	6,120
Others	9,551	14,688	-	-	24,239
	371,815	142,331	(27,133)	-	487,013
Loss carryforwards	647,768	(500,004)	-	-	147,764
	$ 1,019,583	$ (357,673)	$ (27,133)	$ -	$ 634,777
Deferred tax liabilities					
Temporary differences					
Financial assets at fair value through other comprehensive income	$ (488,722)	$ -	$ (207,225)	$ -	$ (695,947)
Amortization of goodwill impairment loss	(337,502)	(59,559)	-	-	(397,061)
Others	(85,300)	(49,150)	-	(1,261)	(135,711)
	$ (911,524)	$ (108,709)	$ (207,225)	$ (1,261)	$ (1,228,719)

d. Income tax assessments

	Examined and Cleared
Union Bank of Taiwan	Through 2017

40. EARNINGS PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 1.00	$ 1.00
Diluted earnings per share	$ 1.00	$ 0.99

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2019	2018
Net profit	$ 3,359,457	$ 2,956,724
Less: Dividends on preference shares	(480,000)	(90,740)
Earnings used in the computation of basic earnings per share	$ 2,879,457	$ 2,865,984
Earnings used in the computation of diluted earnings per share	$ 2,879,457	$ 2,865,984

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	2,883,260	2,876,991
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	7,943	8,047
Weighted average number of ordinary shares used in the computation of diluted earnings per share	2,891,203	2,885,038

If the Bank offered to settle the compensation or bonuses paid to employees in cash or shares, the Bank assumed that the entire amount of the compensation or bonuses 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.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 10, 2019. The basic and diluted earnings per share were adjusted retrospectively from 1.07 to 1.06 and from 1.00 to 0.99 for the year ended December 31, 2018

41. 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 Venture Capital Co., Ltd. (UVC)	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	Associates
LINE BIZ+ Taiwan, Ltd. (LINE PAY)	Associates
Hung-Kou Construction Inc., Ltd. (Hung-Kou)	Related party in substance
The Liberty Times Co., Ltd. (Liberty Times)	Related party in substance
Long Shan Lin Corporation	Related party in substance
Yong-Xuan Co., Ltd. (Yong-Xuan)	Related party in substance
Union Enterprise Construction Co., Ltd. (UECC)	Related party in substance
Yu-Pang Co., Ltd. (Yu-Pang)	Related party in substance
Union Recreation Enterprise Corporation	Related party in substance
Union Optronics Co., Ltd. (Union Optronics)	Related party in substance
Hi-Life International Co., Ltd. (Hi-Life)	Related party in substance
Securities Investment Trust Funds	Issued by Union Securities Investment Trust
Others	Directors, managers and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2019

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2019	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonper-forming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	19	$ 15,965	$ 9,481	$ 9,481	$ -	Land, buildings and cars	None
Self-used housing mortgage loans	49	166,350	102,797	102,797	-	Real estate	None
Others	UFLIC	1,808,727	1,734,111	1,734,111	-	Land and buildings	None
Others	8	16,095	11,146	11,146	-	Land and buildings	None

December 31, 2018

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2018	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	20	$ 21,669	$ 17,531	$ 17,531	$ -	Land, buildings and cars	None
Self-used housing mortgage loans	41	169,831	99,280	99,280	-	Real estate	None
Others	UFLIC	1,888,757	1,822,167	1,822,167	-	Land and buildings	None
Others	8	77,644	8,400	8,400	-	Land, plant, buildings, quoted stock and time deposits	None

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2019	$ 1,857,535	0.48	1.56%-2.64%	$ 34,984	0.29
2018	1,947,358	0.60	1.06%-2.60%	36,275	0.33

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate (Note)	Amount	%
2019	$ 6,024,277	1.13	0%-4.80%	$ 51,120	0.94
2018	5,374,363	1.04	0%-4.80%	43,673	1.03

Note: Including foreign currency interest rate.

3) Guarantees and letters of credit

December 31, 2019

Name	Highest Balance in the Year Ended December 31, 2019	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 19,316	$ 19,316	$ -	0.50%	Time deposits
The Liberty Times Co., Ltd.	2,630	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.50%	Time deposits
Hi-Life International Co., Ltd.	114,324	18,500	-	0.40%	Time deposits

December 31, 2018

Name	Highest Balance in the Year Ended December 31, 2018	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 19,316	$ 19,316	$ -	0.50%	Time deposits
The Liberty Times Co., Ltd.	2,547	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.50%	Time deposits
Union Optronics Corporation	39,193	-	-	0.75%	Time deposits
Hi-Life International Co., Ltd.	318,374	318,374	-	0.40%	N/A

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

4) 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, Insurance Agency 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)		Lease Liabilities	
	Amount	%	Amount	%
2019				
Yu-Pang	$ 454,888	17.96	$ 22,870	1.71
Hung-Kuo	219,465	8.66	62,672	4.68
Yong-Xuan	14,220	0.56	174,406	13.03
UECC	4,384	0.17	8,665	0.65

	Lease Deposit (Part of Other Assets)		Rental Expense(Part of Other Operating Expense)	
	Amount	%	Amount	%
2018				
Yu-Pang	$ 454,888	21.82	$ 15,980	2.60
Hung-Kuo	219,465	10.53	104,361	16.96
Yong-Xuan	14,533	0.70	60,016	9.75
UECC	4,384	0.21	9,410	1.53
UFLIC	1,158	0.06	3,462	0.56

The Bank rented cars for business use from UFLIC; the rental expenses were $10,771 thousand in 2019 and $10,906 thousand in 2018. Rentals payable as of December 31, 2019 and 2018 were $40 thousand and $56 thousand, respectively.

The Bank rented space to install an ATM of Hi-life International Corporation and the rent expense was $1,372 thousand in 2019. Rental payable as of December 31, 2019 was $14 thousand.

b) The Bank as lessor

The Bank's South Taoyuan Branch, Kaohsiung Branch, Minchuan Branch, Fucheng Branch, Jiuru Branch, Xing-Zhong Branch and Tun-Hua Branch leased part of their office premises to UFLIC and UVC under operating lease agreements starting from December 2014 to August 2019, from January 2016 to December 2020, from August 2016 to July 2021, from June 2013 to June 2023, from May 2017 to April 2022, from November 2017 to October 2022 and from November 2019 to October 2124, respectively. The leasing revenues received were $1,594 thousand and $1,570 thousand in 2019 and 2018, respectively. The lease deposits received (included in other liabilities) were $436 thousand and $423 thousand in 2019 and 2018, respectively.

5) UIT sold computers and related materials and software and provided network services to the Bank. The purchase and service fees were $127,815 thousand in 2019 and $122,196 thousand in 2018.

6) LINE PAY provided the use of its consumer platform to the Bank. The maintenance fee of the platform was $4,273 thousand in 2019.

7) LINE PAY provided the credit card bonus points and cooperative marketing activities to the Bank. The advertising fee was $136,198 thousand in 2019.

8) Hi-Life provided the commodity bonus exchange and marketing activities to the Bank. The advertising fee were $815 thousand and $91 thousand in 2019 and 2018, respectively.

9) Derivative financial instruments

The currency swap contract undertaken by the Bank and UCCC has expired in June 2019.

December 31, 2018						
			Notional	Unrealized	Balance Sheets	
Related Party	**Contract**	**Period**	**Amount**	**Gain (Loss)**	**Account**	**Balance**
UCCC	Currency swap contracts	2018.12.21-2019.03.20	JPY1,480,000/ US$13,262	$ 7,164	Financial liabilities at fair value through profit or loss	$ 7,164

	2019	2018
Gain (loss) on financial instruments at fair value through profit or loss		
UCCC	$ (4,209)	$ (9,170)

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	
	2019	2018
Short-term employment benefits		
Salaries	$ 36,916	$ 35,035
Transportation expenses	1,150	1,310
	38,066	36,345
Post-employment benefits	8,473	1,017
	$ 46,539	$ 37,362

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

42. PLEDGED ASSETS

As of December 31, 2019 and 2018, government bonds and bank debentures, which amounted to $318,605 thousand and $310,905 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.

As of December 31, 2019 and 2018, the Bank pledged a time deposit of $1,100,000 thousand and $300,000 thousand (part of other financial assets), respectively, to Mega International Commercial Bank and Mizuho Bank to be part of the latter's online bank-to-bank payment system.

43. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2019 and 2018, the Bank's commitments consisted of the following:

	December 31	
	2019	2018
Irrevocable standby loan commitment	$ 115,314,710	$ 101,075,098
Unused credit card commitment	280,852,350	265,545,183
Unused letters of credit	893,729	822,060
Other guarantees	15,348,358	14,698,974
Collections for customers	28,655,887	27,451,323
Travelers' checks consigned-in	64,613	82,702
Guarantee notes payable	1,402,600	594,900
Trust assets	75,781,532	71,598,436
Marketable securities under custody	5,966,407	6,989,899

b. Computer equipment purchase contracts

As of December 31, 2019 and 2018, the Bank had contracts to buy computer equipment and software for $200,379 thousand and $121,492 thousand, respectively, of which $90,973 thousand and $77,168 thousand had been paid as of December 31, 2019 and 2018, respectively.

c. Investment in internet-only banking

For the purpose of actively developing its digital finance business, the Bank participated in the establishment of the internet-only bank of LINE Bank Taiwan Limited on November 7, 2018 after an approval from the board of directors was obtained. The Bank expects to obtain 5% of the shareholdings of LINE Bank Taiwan Limited at a total price of $500,000 thousand. The case was approved by the authorities on July 30, 2019, and as of December 31 2019, the Bank had prepaid shares amounting to $100,000 thousand. As of March 11, 2019, the Bank had paid full amount of the investment.

44. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2019

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 6,167,712	Management fee payable	$ 7
Investments		Income tax payable	697
Mutual funds	44,205,497	Marketable securities payable	12,005,099
Common stock	685,405	Trust capital	63,716,585
Accounts receivable	9,605	Reserve and deficit	59,144
Stock in custody	12,005,099		
Real estate - land and building	12,708,214		
Total	$ 75,781,532	Total	$ 75,781,532

Balance Sheet of Trust Accounts
December 31, 2018

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 4,650,271	Management fee payable	$ 5
Investments		Income tax payable	566
Mutual funds	41,286,267	Marketable securities payable	10,501,272
Common stock	649,901	Trust capital	61,145,308
Short-term bills and securities purchased under resell agreements	203,097	Reserve and deficit	(48,715)
Accounts receivable	8,247		
Stock in custody	10,501,272		
Real estate - land and building	14,299,381		
Total	$ 71,598,436	Total	$ 71,598,436

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2018.

Income Statement of Trust Accounts
Year Ended December 31, 2019

	Amount
Trust income	
Interest revenue - demand accounts	$ 931
Interest revenue - time deposits	18,509
Cash dividends - common stock	7,924
Income from beneficiary certificates	261
Realized capital gain - fund	1,011
Unrealized capital gain - fund	226
Unrealized capital gain - common stock at stock exchange market	49,185
Total trust income	78,047
Trust expense	
Management expense	10,965
Taxation	7,806
Agency fees	3,741
Unrealized capital loss - common stock at stock exchange market	281
Realized capital loss - fund	223
Unrealized capital loss - fund	548
Others	256
Total trust expense	23,820
Loss before tax	54,227
Income tax expense	(1,306)
Net loss	$ 52,921

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

Income Statement of Trust Accounts
Year Ended December 31, 2018

	Amount
Trust income	
Interest revenue - demand accounts	$ 607
Interest revenue - time deposits	15,240
Interest revenue - short-term bills and securities purchased under resell agreements	292
Cash dividends - common stock	9,211
Service fee allowances - common stock	4
Other income from tax refund plus interest	3
Income from beneficiary certificates	392
Realized capital gain - fund	944
Realized capital gain - common stock	143
Unrealized capital gain - fund	95
Unrealized capital gain - common stock at stock exchange market	15,428
Unrealized capital gain - common stock at over-the-counter market	5,214
Total trust income	47,573
Trust expense	
Management expense	12,451
Taxation	74,286
Business fees - attorney fees	100
Agency fees	7,088
Supervisor fee	80
Unrealized capital loss - common stock at stock exchange market	356
Realized capital loss - fund	560
Unrealized capital loss - fund	640
Others	125
Total trust expense	95,686
Loss before tax	(48,113)
Income tax expense	(981)
Net loss	$ (49,094)

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

Trust Property and Equipment Accounts
December 31, 2019

Investment Portfolio	Amount
Bank deposits	$ 6,167,712
Investments	
Mutual funds	44,205,497
Common stock	685,405
Accounts receivable	9,605
Stock in custody	12,005,099
Real estate - land and buildings	12,708,214
	$ 75,781,532

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2018.

Trust Property and Equipment Accounts
December 31, 2018

Investment Portfolio	Amount
Bank deposits	$ 4,650,271
Investments	
Mutual funds	41,286,267
Common stock	649,901
Short-term bills and securities purchased under resell agreements	203,097
Accounts receivable	8,247
Stock in custody	10,501,272
Real estate - land and buildings	14,299,381
	$ 71,598,436

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2018.

45. FINANCIAL INSTRUMENTS

a. Information on 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 equity investments with unlisted shares or no active market and complex foreign exchange options.

b. The fair value hierarchies of the Bank's financial instruments as of December 31, 2019 and 2018 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2019			
	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)				
Financial assets mandatorily classified as at FVPTL				
Beneficiary certificates	$ 532,562	$ 532,562	$ -	$ -
Commercial paper	29,670,103	-	29,670,103	-
Asset-based securities	67,361	-	67,361	-
Futures exchange margins	61,302	61,302	-	-
Financial assets at fair value through other comprehensive income				
Stock	7,724,463	6,676,744	-	1,047,719
Debt investments	33,237,957	-	33,237,957	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	268,446	-	241,461	26,985
Liabilities				
Financial liabilities at FVTPL	650,981	-	624,005	26,976

	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
<u>Measured at fair value on a recurring basis</u>				
<u>Nonderivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Financial assets mandatorily classified as at FVPTL				
Stock	$ 578,929	$ 578,929	$ -	$ -
Beneficiary certificates	2,313,976	2,313,976	-	-
Commercial paper	31,510,394	-	31,510,394	-
Asset-based securities	60,415	-	60,415	-
Principal guaranteed notes	1,368,547	-	1,368,547	-
Financial assets at fair value through other comprehensive income				
Stock	8,289,319	7,277,879	-	1,011,440
Real estate investment trusts	129,905	129,905	-	-
Debt investments	24,699,250	-	24,699,250	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	523,434	-	486,913	36,521
Liabilities				
Financial liabilities at FVTPL	307,799	-	271,277	36,522

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, fair value through other comprehensive income and hedging derivative financial instruments with quoted price in an active market are based on their market prices; financial instruments with no quoted prices in an active market are estimated by valuation methods.

1) Marking to market

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

a) Ensure the consistency and integrity of market data.

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

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

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

2) Marking to model

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

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

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

3) Fair value adjustment

Credit risk assessment adjustment

Credit risk assessment adjustment refers to the fair value of the over the counter (OTC) derivative financial commodity contracts, which also reflects the credit risk of both parties. It can be mainly divided into “credit evaluation adjustment” and “debit evaluation adjustment”:

a) Credit value adjustments (CVA): A transaction in a non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility of the Company may not be able to collect the full market value or the counterparty may default on the repayment on the fair value.

b) Debit value adjustments (DVA): It refers to the transactions of the non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility that the Company may not be able to collect the full market value or the counterparty may default on the repayment of the fair value.

Both CVA and DVA are concepts of estimated loss, calculated as the probability of default (PD) multiplied by the default loss rate (LGD) and multiplied by the exposure at default (EAD).

For customers with external credit ratings, the default probability is based on the default probability corresponding to the external rating; for customers without external credit ratings, the impairment rate calculated according to the bank’s loan and receivable impairment assessment and the average incidence of impairment is taken as the default probability.

The Bank uses the fair value of OTC derivatives to calculate the amount of default risk (EAD).

The Bank uses 60% as the default loss rate based on the recommendation of “IFRS 13 CVA and DVA Related Disclosure Guidelines” of the Stock Exchange.

The Bank incorporates the credit risk assessment adjustment into the fair value calculation of financial instruments to reflect the counterparty’s credit risk and the Bank’s credit quality.

4) Transfer between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2019 and 2018.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehen-sive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss								
Derivative financial assets	$ 36,521	$(13,802)	$ -	$ 27,875	$ -	$(23,609)	$ -	$ 26,985
Financial assets at fair value through other comprehensive income								
Investments in equity instruments	1,011,440	-	38,657	-	-	(2,378)	-	1,047,719

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehen-sive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss								
Derivative financial assets	$ 48,253	$(22,635)	$ -	$ 50,712	$ -	$(39,809)	$ -	$ 36,521
Financial assets at fair value through other comprehensive income								
Investments in equity instruments	962,181	-	57,662	9,557	-	(17,960)	-	1,011,440

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehen-sive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 36,522	$(14,128)	$ -	$ 31,111	$ -	$(26,529)	$ -	$ 26,976

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehen-sive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 48,259	$ 7,772	$ -	$ 25,396	$ -	$(44,905)	$ -	$ 36,522

6) Quantitative information of significant unobservable inputs - Level 3 fair value measurement

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	$ 26,985	Option pricing model	Ratio	AUD/JPY 8.73%-8.74% AUD/USD 6.69% EUR/USD 5.26% USD/JPY 4.87%-5.77% USD/TWD 3.45%-4.65% USD/ZAR 11.26-%-14.35%	The higher the ratio is, the higher the fair value
Non-derivative financial instruments						
Financial assets at fair value through other comprehensive income	Investment in equity instruments	1,047,719	Assets value model	Allowance of minority interest	10%-20%	The higher the equity dispersion is, the lower the fair value
Derivative financial instruments						
Financial liabilities at fair value through profit or loss	Foreign exchange options	26,976	Option pricing model	Ratio	AUD/JPY 8.73%-8.74% AUD/USD 6.69% EUR/USD 5.26% USD/JPY 4.87%-5.77% USD/TWD 3.45%-4.65% USD/ZAR 11.26-%-14.35%	The higher the ratio is, the higher the fair value

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	$ 36,521	Option pricing model	Ratio	AUD/JPY 11.88% AUD/USD 9.08%-9.70% EUR/USD 7.35%-7.45% NZD/USD 9.74% USD/TWD 3.69%-5.61% USD/ZAR 18.29-%-18.38%	The higher the ratio is, the higher the fair value
Non-derivative financial instruments						
Financial assets at fair value through other comprehensive income	Investment in equity instruments	1,011,440	Assets value model	Allowance of minority interest	10%-20%	The higher the equity dispersion is, the lower the fair value
Derivative financial instruments						
Financial liabilities at fair value through profit or loss	Foreign exchange options	36,522	Option pricing model	Ratio	AUD/JPY 11.88% AUD/USD 9.08%-9.70% EUR/USD 7.35%-7.45% NZD/USD 9.74% USD/TWD 3.69%-5.61% USD/ZAR 18.29-%-18.38%	The higher the ratio is, the higher the fair value

7) The assessment process of Level 3 fair value measurement

To ensure that the product assessment results can be close to the market, the risk management department of the Bank is responsible for the verification of the independent fair value. For products assessed by the model, before daily assessment, the information required for the assessment will be verified as correct and consistent with each other and the department will calibrate the model to the market quotation and update the input value required for the assessment model. In addition to regular checking of the accuracy of the assessment model, the reasonableness of the prices provided by third parties will also be checked

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

The Bank’s Level 3 financial instruments are foreign exchange options and unlisted shares. When engaging in foreign exchange option transactions, the Bank makes a match for other banks and unlisted shares 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.

The fair value measurement of financial instrument is reasonable although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if the parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current periods are as follows:

December 31, 2019

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	**Unfavorable Changes**
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	$ 104,772	$ (104,772)

December 31, 2018

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	**Unfavorable Changes**
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	$ 101,144	$ (101,144)

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) Information of fair value

	December 31			
	2019		2018	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets				
Financial assets measured at amortized cost	$ 104,170,149	$ 106,472,282	$ 94,149,872	$ 94,475,696
Financial liabilities				
Bank debentures	10,200,000	10,218,066	9,700,000	9,828,544

2) Fair value hierarchy

Items	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 106,472,282	$ -	$ 106,472,282	$ -
Financial liabilities				
Bank debentures	10,218,066	-	10,218,066	-

Items	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 94,475,696	$ -	$ 94,475,696	$ -
Financial liabilities				
Bank debentures	9,828,544	-	9,828,544	-

46. 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 of directors.

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, 2019	December 31, 2018
Irrevocable standby loan commitment	$ 9,548,993	$ 6,848,218
Unused letters of credit	893,729	822,060
Other guarantees	15,348,358	14,698,974
Unused credit card commitments	280,852,350	265,545,183

December 31, 2019	Collateral	Netting Arrangements	Other Credit Enhancement	Total
In-balance sheet items				
Discount and loans	$ 319,506,390	$ -	$ -	$ 319,506,390

December 31, 2018	Collateral	Netting Arrangements	Other Credit Enhancement	Total
In-balance sheet items				
Discount and loans	$ 285,187,706	$ -	$ -	$ 285,187,706

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, 2019		**December 31, 2018**	
	Amount	**%**	**Amount**	**%**
Private enterprises	$ 106,475,131	26.19	$ 92,655,902	26.80
Government organizations	35,884,136	8.83	16,652,952	4.81
Nonprofit organizations	797,036	0.20	726,667	0.21
Private organizations	262,021,341	64.44	234,658,365	67.87
Financial Institutions	787	-	-	-
Foreign enterprises	1,408,776	0.34	1,069,388	0.31
Total	$ 406,587,207	100.00	$ 345,763,274	100.00

b) By geographical area

The Bank's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2019		**December 31, 2018**	
	Amount	**%**	**Amount**	**%**
Unsecured	$ 78,566,192	19.32	$ 52,407,081	15.16
Secured				
Financial instruments	11,439,874	2.81	9,054,700	2.62
Stocks	11,341,285	2.80	9,725,963	2.81
Properties	278,572,709	68.51	248,043,713	71.74
Movables	18,660,538	4.59	18,583,172	5.37
Guarantees	7,520,867	1.85	7,041,228	2.04
Others	485,742	0.12	907,417	0.26
Total	$ 406,587,207	100.00	$ 345,763,274	100.00

8) Analysis of impairment for financial assets

On the basis of the result of a credit evaluation, the Bank may require collaterals before the credit facilities are granted. To minimize 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 close monitoring of the value of collaterals to ensure repayment. 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

The Bank observes the value of collateral for financial instruments and takes into consideration the impairment loss that should be recognized for financial assets that are credit-impaired. The values of the credit-impaired financial assets and the values of collateral to mitigate potential losses are as follows:

2019

Credit-impaired financial assets	**Carrying Amount**	**Allowance for Impairment Loss**	**Exposure Amount (Amortized Cost)**	**Fair Value of Collateral**
Receivables				
Credit cards	$ 1,080,427	$ 66,157	$ 1,014,270	$ -
Other	29,786	27,030	2,756	17,534
Discounts and loans	1,529,359	372,647	1,156,712	3,510,967
	$ 2,639,572	$ 465,834	$ 2,173,738	$ 3,528,501

2018

Credit-impaired financial assets	**Carrying Amount**	**Allowance for Impairment Loss**	**Exposure Amount (Amortized Cost)**	**Fair Value of Collateral**
Receivables				
Credit cards	$ 1,135,862	$ 65,863	$ 1,069,999	$ -
Other	117,859	91,937	25,922	28,534
Discounts and loans	1,771,899	284,614	1,487,285	4,331,271
	$ 3,025,620	$ 442,414	$ 2,583,206	$ 4,359,805

9) Judgment that credit risk has increased significantly since the initial recognition - 2018

On each reporting date, the Bank assesses the change in the default risk of financial assets, as well as considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, to determine whether the credit risk has increased significantly. The main considerations include:

<u>Quantitative indicators</u>

a) The borrower pays the amount for contracts overdue for at least one month (more than or equal to 30 days for the credit card business), or the amounts for other contracts that are overdue for at least one month (more than or equal to 30 days for the credit card business).

b) Debt instruments whose prices on the reporting date have fallen more than 40% from the original price since the acquisition date.

c) Debt instruments that have non-investment grades based on the debt (priority), issuer, and guarantor’s credit rating and that have fallen by more than two grades and whose prices have fallen by more than 15% on the reporting date.

<u>Qualitative indicators</u>

a) The borrower’s check bounced due to insufficient funds in the Bank’s checking account, or announced as a rejected account.

b) The borrower’s collateral was seized.

c) The borrower’s debt has been recognized as a non-accrual loan or transferred to bad debt by other financial institutions.

d) The borrower has been reorganized.

e) An auditors’ report on the borrower has been released where it was stated that a material uncertainty exists that may cast significant doubt on the borrower’s ability to continue as a going concern.

f) The borrower has other bad debts that indicate that the borrower’s ability to perform its debt obligations is weak or has signs of impairment, which has been assessed to affect its operations or repayment ability.

10) Definition of default and credit impaired financial assets

The Bank uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions below are met, the Bank determines that the financial assets have defaulted and are credit impaired. The main considerations include:

a) The borrower pays the amount for contracts overdue for at least 3 months (90 days and above for the credit card business).

b) The debtor has significant financial difficulties (e.g., the debtor has ceased operations, is bankrupt, or has liquidated).

c) Economic or legal considerations, concessions to borrowers with financial difficulties (such as debt negotiations).

If the financial assets no longer meet the definition of default and credit impairment, they are judged as regaining their status of meeting performance obligations and are no longer regarded as financial assets that have defaulted and are credit impaired.

11) Reversal policy

When the Bank is not reasonably expected to recover all or part of the financial assets, the indicators that all or part of the financial assets that cannot be reasonably expected to be recovered include the following:

a) Recourse activities have stopped.

b) The borrower is assessed to have insufficient assets or sources of income to pay the outstanding amount.

The financial assets that have been written off by the Bank may still have ongoing recourse activities in accordance with the relevant policies.

12) Contractual cash flow modification of financial assets

The Bank may modify the contractual cash flow of financial assets due to the borrower's financial difficulties, increase in the recovery rate of the doubtful borrowers, or to maintain customer relationships. The modification of the contractual terms of the financial assets may include extending the contract period, modifying the interest payment time, and modifying the agreed interest rate or the exemption of some of the outstanding debts. The modification of contractual cash flows of financial assets may result in the delisting of existing financial assets in accordance with the Bank's financial assets delisting policy and recognition of new financial assets at fair value.

If the contractual cash flow modification of a financial asset does not result in a derecognition, the Bank assesses whether the credit risk of the financial asset has increased significantly by comparing the following:

a) Risk of default on the reporting date (based on modified contract terms).

b) The risk of default at the time of original recognition (based on the original unmodified contract terms).

The Bank considers the borrower's subsequent payment in accordance with the revised terms and several relevant behavioral indicators to assess the probability of default of the revised financial assets and confirm whether the contract modification improves or restores the ability of the bank to recover the relevant contract payments. If the borrower pays the contract amount according to the revised terms and shows good payment behavior, it can be determined that the credit risk is reduced and the loss allowance will be measured by the 12-month expected credit loss model.

The Bank regularly reviews the changes in credit risk of the revised financial assets in accordance with relevant policies, and evaluates whether there is a significant increase in credit risk following the revised financial assets based on a specific model.

13) Measurement of expected credit losses

For the purpose of assessing expected credit losses, credit assets are classified into the following groups based on the credit risk characteristics of the borrower's industry, credit risk rating, collateral type and remaining maturity period:

Business	Group	Definition
Corporate banking	Corporate banking	Corporate banking business
Consumer banking	Mortgages	Mortgage business
	Financial loans	Financial loan business
	Credit card	Credit card business
	Others	Other business

The Bank adopts the 12-month ECL model to evaluate the loss allowance of financial instruments whose credit risk have not increased significantly since initial recognition, and adopts the lifetime ECL model to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

"PD" refers to the borrower's probability to default and "LGD" refers to losses caused by the default. The Bank calculates the "PD" and "LGD" used in the impairment assessment of the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and after adjustment of the historical data based on current observable and forward-looking macroeconomic information.

	Account Receivable December 31, 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	$ 19,416,706	$ 106,235	$ 1,110,213	$ -	$ 20,633,154
Less: Allowance for impairment loss	43,935	18,491	93,187	-	155,613
Less: Additional impairment loss required under	-	-	-	44,639	44,639
	$ 19,372,771	$ 87,744	$ 1,017,026	$ 44,639	$ 20,432,902

	Account Receivable December 31, 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	$ 16,786,150	$ 99,394	$ 1,253,721	$ -	$ 18,139,265
Less: Allowance for impairment loss	22,109	17,977	157,800	-	197,886
Less: Additional impairment loss required under	-	-	-	70,666	70,666
	$ 16,764,041	$ 81,417	$ 1,095,921	$ 70,666	$ 17,870,713

	Discounts and Loans				
	December 31, 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL (Credit-impaired Financial Assets)**	**Additional Impairment Loss Required under Regulations**	**Total**
Gross carrying amount	$ 387,137,800,	$ 2,015,580	$ 1,529,359	$ -	$ 390,682,739
Less: Allowance for impairment loss	240,125	175,604	372,647	-	788,376
Less: Additional impairment loss required under	-	-	-	3,510,579	3,510,579
	$ 386,897,675	$ 1,839,976	$ 1,156,712	$ 3,510,579	$ 386,383,784

	Discounts and Loans				
	December 31, 2018				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL (Credit-impaired Financial Assets)**	**Additional Impairment Loss Required under Regulations**	**Total**
Gross carrying amount	$ 327,119,720	$ 1,798,887	$ 1,771,899	$ -	$ 330,690,506
Less: Allowance for impairment loss	170,493	162,436	284,614	-	617,543
Less: Additional impairment loss required under	-	-	-	3,235,110	3,235,110
	$ 326,949,227	$ 1,636,451	$ 1,487,285	$ 3,235,110	$ 326,837,853

When the Bank estimates the 12-month and lifetime expected credit losses for its loan commitments, it will give different credit conversion factors according to the characteristics of each product. The Bank will also take into consideration the amount that is expected to be utilized within 12 months from the reporting date and the expected lifetime of each commitment in determining the default risk amount that is used to calculate the expected credit loss

The estimation techniques or material assumptions used to assess expected credit losses have not changed significantly during the current period.

14) Consideration of forward-looking information

The Bank's credit (including credit card) segments are based on different loan properties, such as corporate banking, consumer finance, credit, car loans and credit cards, and forward-looking model estimates are carried out, based on actual default rates and overall economic variables of each segment in the past quarters. The default rate for the next year is estimated using the credit risk chain model, by estimating the relationship between the default rate and the overall economic variables. The investment function makes reference to external credit ratings in their consideration of forward-looking information.

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, financial assets at fair value through other comprehensive income, financial assets at amortized cost, 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, 2019					
	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	$ 7,201,193	$ 59,680	$ 3,025,050	$ 1,015,000	$ -	$ 11,300,923
Securities sold under repurchase agreements	21,683,238	43,444,198	-	250,000	-	65,377,436
Payables	2,069,134	1,299,264	896,265	235,823	18,800	4,519,286
Deposits and remittance	39,135,312	61,742,848	75,966,212	147,981,777	208,829,814	533,655,963
Bank debentures	-	-	-	3,000,000	7,200,000	10,200,000
Other liabilities	16,105	9	14	28	91,940	108,096

The maturity analysis of lease liability:

	December 31, 2019					
	Less than A Year	1-5 years	5-10 years	10-15 Year	Over 20 Year	Total
Lease liabilities	$ 344,824	$ 700,362	$ 98,557	$ 16,370	$ -	$ 1,364,566

	December 31, 2018					
	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	$ 5,790,111	$ 59,680	$ 3,025,050	$ 2,515,000	$ -	$ 11,389,841
Securities sold under repurchase agreements	21,177,132	23,157,255	-	-	-	44,334,387
Payables	5,291,579	945,030	447,999	208,441	19,538	6,912,587
Deposits and remittance	52,238,664	69,018,051	77,506,669	140,487,058	175,136,358	514,386,800
Bank debentures	-	1,500,000	-	-	8,200,000	9,700,000
Other liabilities	20,527	15	23	46	91,809	112,420

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

	December 31, 2019					
	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	$ 21,333,779	$ 30,830,364	$ 242,689	$ 64,427	$ -	$ 52,471,259
Cash inflow	20,984,823	30,572,337	237,459	64,260	-	51,858,879
	348,956	258,027	5,230	167	-	612,380
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 348,956	$ 258,027	$ 5,230	$ 167	$ -	$ 612,380

	December 31, 2018					
	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	$ 19,774,642	$ 15,840,034	$ 958,437	$ 1,963,020	$ -	$ 38,536,133
Cash inflow	19,613,925	15,779,547	924,443	1,945,498	-	38,263,413
	160,717	60,487	33,994	17,522	-	272,720
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 160,717	$ 60,487	$ 33,994	$ 17,522	$ -	$ 272,720

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

	December 31, 2019					
	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	$ 1,321	$ 2,136	$ 1,617	$ 4,365	$ -	$ 9,439

	December 31, 2018					
	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	$ 662	$ 891	$ 17,062	$ 4,661	$ -	$ 23,276

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 items.

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 2019 and 2018, 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 $380,167 thousand and $393,900 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: Foreign Currency (In Thousands)/NT$(In Thousands)

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 2,754,263	30.1060	$ 82,919,842
JPY	3,231,344	0.2770	895,215
GBP	204	39.5382	8,071
AUD	2,494	21.1013	52,625
HKD	43,216	3.8660	167,076
CAD	1,545	23.0821	35,671
CNY	770,337	4.3231	3,330,235
SGD	104	22.3654	2,325
ZAR	9,934	2.1380	21,239
CHF	120	31.0595	3,742
THB	460	1.0091	465
NZD	690	20.2674	13,988
EUR	7,982	33.7368	269,290
Financial liabilities			
USD	2,332,777	30.1060	70,230,593
JPY	2,085,975	0.2770	577,900
GBP	201	39.5382	7,963
AUD	2,452	21.1013	51,735
HKD	42,734	3.8660	165,211
CAD	1,624	23.0821	37,496
CNY	768,870	4.3231	3,323,895
SGD	71	22.3654	1,599
ZAR	10,481	2.1380	22,409
CHF	120	31.0595	3,728
NZD	512	20.2674	10,385
EUR	9,120	33.7368	307,675

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 2,352,339	30.733	$ 72,294,433
JPY	4,460,206	0.2784	1,241,628
GBP	137	38.8957	5,344
AUD	1,178	21.6760	25,539
HKD	34,287	3.9240	134,543
CAD	1,405	22.5912	31,750
CNY	872,097	4.4741	3,901,844
SGD	86	22.4854	1,923
ZAR	18,615	2.1291	39,632
CHF	60	31.2074	1,869
THB	430	0.9491	408
NZD	502	20.6249	10,350
EUR	10,666	35.2047	375,496
Financial liabilities			
USD	1,943,738	30.733	59,736,893
JPY	7,252,804	0.2784	2,019,028
GBP	2,151	38.8957	83,677
AUD	1,220	21.6760	26,434
HKD	33,588	3.9240	131,799
CAD	1,396	22.5912	31,537
CNY	872,724	4.4741	3,904,647
SGD	80	22.4854	1,792
ZAR	18,568	2.1291	39,532
CHF	73	31.2074	2,279
NZD	529	20.6249	10,912
EUR	13,824	35.2047	486,670

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 follows:

December 31, 2019					
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 assets at fair value through profit or loss Securities sold under repurchase agreements	$ 13,458,214	$ 13,471,704	$ 13,458,214	$ 13,471,704	$ (13,490)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	19,671,156	16,946,258	19,671,156	16,946,258	2,724,898
Financial assets at amortized costs Securities sold under repurchase agreements	44,134,600	34,959,474	45,837,805	34,959,474	10,878,331

December 31, 2018					
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 assets at fair value through profit or loss Securities sold under repurchase agreements	$ 12,453,108	$ 12,462,948	$ 12,453,108	$ 12,462,948	$ (9,840)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	12,865,389	11,155,357	12,865,389	11,155,357	1,710,032
Financial assets at amortized costs Securities sold under repurchase agreements	28,655,857	20,716,083	28,844,548	20,716,083	8,128,465

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 sheets 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 sheets or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2019						
Financial Assets	Gross Amount of Recognized Financial Asset (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Net Amount of Financial Assets Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instrument	Cash Collateral Pledged	
Derivatives	$ 268,446	$ -	$ 268,446	$ 6,490	$ -	$ 261,956

December 31, 2019						
Financial Liabilities	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Net Amount of Financial Liabilities Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial instrument	Cash Collateral Pledged	
Derivatives	$ 650,981	$ -	$ 650,981	$ 82,775	$ -	$ 568,206

December 31, 2018						
Financial Assets	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Net Amount of Financial Assets Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instrument	Cash Collateral Pledged	
Derivatives	$ 523,434	$ -	$ 523,434	$ 96,760	$ -	$ 426,674

December 31, 2018						
Financial Liabilities	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Net Amount of Financial Liabilities Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial instrument	Cash Collateral Pledged	
Derivatives	$ 307,799	$ -	$ 307,799	$ 12,320	$ -	$ 295,479

47. 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 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.

c.

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

Items (Note 2) / Year			December 31, 2019 Own Capital Adequacy Ratio	December 31, 2019 Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		$ 37,440,298	$ 37,013,051
	Other Tier 1 capital		11,559,375	12,506,259
	Tier 2 capital		6,347,143	9,685,896
	Eligible capital		55,347,143	59,205,206
Risk-weighted assets	Credit risk	Standard	322,422,791	343,086,746
		Internal rating-based approach	-	-
		Asset securitization	700,692	700,692
	Operational risk	Basic indicator approach	19,966,470	23,560,822
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	23,513,386	24,423,563
		Internal model approach	-	-
	Total risk-weighted assets		376,603,339	391,771,913
Capital adequacy rate			14.70%	15.11%
Ratio of common stockholders' equity to risk-weighted assets			9.94%	9.45%
Ratio of Tier 1 capital to risk-weighted assets			13.01%	12.64%
Leverage ratio			6.53%	6.52%

Items (Note 2) / Year			December 31, 2018 Own Capital Adequacy Ratio	December 31, 2018 Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		$ 33,172,535	$ 32,575,667
	Other Tier 1 capital		11,720,972	12,496,555
	Tier 2 capital		4,310,985	7,313,533
	Eligible capital		49,204,492	52,385,755
Risk-weighted assets	Credit risk	Standard	289,969,304	300,008,530
		Internal rating-based approach	-	-
		Asset securitization	2,343,167	2,343,167
	Operational risk	Basic indicator approach	18,656,113	22,156,450
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	32,534,371	33,506,790
		Internal model approach	-	-
	Total risk-weighted assets		343,502,955	358,014,937
Capital adequacy rate			14.32%	14.63%
Ratio of common stockholders' equity to risk-weighted assets			9.66%	9.10%
Ratio of Tier 1 capital to risk-weighted assets			13.07%	12.59%
Leverage ratio			6.48%	6.42%

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 10.5%, the Tier 1 Capital Ratio at a minimum of 8.5% and the Common Equity Tier 1 Ratio at a minimum of 7.0%. In addition, if the Bank's CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

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

Union Bank of Taiwan

a. Credit risk

1) Asset quality

See Table 4.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2019			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Company H - retail of other food and beverages	$ 1,863,000	3.31
2	Company B - other financial intermediation	1,734,111	3.08
3	Group U - real estate development	1,708,700	3.04
4	Group F - Gasoline Stations industry	1,668,136	2.97
5	Group S - Automotive Manufacturing	1,505,300	2.68
6	Group E - Cable TV industry	1,126,451	2.00
7	Company M - sporting and athletic articles manufacturing	874,000	1.55
8	Company C - instant food manufacturing	849,892	1.51
9	Company O - real estate development	752,650	1.34
10	Company K - other financial, insurance and real estate	750,000	1.33

December 31, 2018			
Rank (Note 1)	Company Name	Credit Extension Balance	% to Net Asset Value
1	Company B - other financial intermediation	$ 1,822,167	3.66
2	Group U - real estate development	1,458,700	2.93
3	Company H - retail of other food and beverages	1,434,000	2.88
4	Company T - real estate development	1,172,543	2.35
5	Company Z - real estate development	932,000	1.87
6	Company W - real estate development	930,000	1.87
7	Company K - other financial, insurance and real estate	815,000	1.64
8	Company C - instant food manufacturing	779,730	1.57
9	Company Q - telecommunications	759,566	1.52
10	Company M - sporting and athletic articles manufacturing	705,000	1.42

b. Market risk

Interest Rate Sensitivity
December 31, 2019

(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	$ 487,276,944	$ 5,795,273	$ 14,257,749	$ 54,605,447	$ 561,935,413
Interest rate-sensitive liabilities	276,366,269	185,995,639	64,178,888	23,014,898	549,555,694
Interest rate-sensitive gap	210,910,675	(180,200,366)	(49,921,139)	31,590,549	12,379,719
Net worth					54,385,473
Ratio of interest rate-sensitive assets to liabilities					102.25%
Ratio of interest rate sensitivity gap to net worth					22.76%

December 31, 2018

(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	$ 457,294,541	$ 5,064,654	$ 9,732,667	$ 42,968,957	$ 515,060,819
Interest rate-sensitive liabilities	265,564,886	170,310,303	57,553,564	19,103,321	512,532,074
Interest rate-sensitive gap	191,729,655	(165,245,649)	(47,820,897)	23,865,636	2,528,745
Net worth					50,030,191
Ratio of interest rate-sensitive assets to liabilities					100.49%
Ratio of interest rate sensitivity gap to net worth					5.05%

Note 1: The above amounts included only the New Taiwan dollar 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, 2019

(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	$ 1,803,811	$ 208,307	$ 158,745	$ 2,353,718	$ 4,524,581
Interest rate-sensitive liabilities	2,186,417	384,781	504,069	432,092	3,507,359
Interest rate-sensitive gap	(382,606)	(176,474)	(345,324)	1,921,626	1,017,222
Net worth					90,557
Ratio of interest rate-sensitive assets to liabilities					129.00%
Ratio of interest rate sensitivity gap to net worth					1,123.29%

December 31, 2018

(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	$ 1,369,796	$ 91,924	$ 269,795	$ 1,754,345	$ 3,485,860
Interest rate-sensitive liabilities	1,560,799	387,164	407,730	334,579	2,690,272
Interest rate-sensitive gap	(191,003)	(295,240)	(137,935)	1,419,766	795,588
Net worth					26,474
Ratio of interest rate-sensitive assets to liabilities					129.57%
Ratio of interest rate sensitivity gap to net worth					3,005.17%

Note 1: The above amounts included only U.S. dollar 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		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Before income tax	0.60	0.57
	After income tax	0.51	0.49
Return on common equity	Before income tax	8.12	8.56
	After income tax	6.69	7.33
Net income ratio		28.81	27.97

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, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2019

(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	$ 618,783,183	$ 153,846,953	$ 58,053,755	$ 42,402,390	$ 86,341,158	$ 278,138,927
Main capital outflow on maturity	718,840,408	82,162,339	102,869,688	97,317,383	182,098,850	254,392,148
Gap	(100,057,225)	71,684,614	(44,815,933)	(54,914,993)	(95,757,692)	23,746,777

December 31, 2018

(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	$ 576,751,774	$ 178,305,659	$ 42,949,727	$ 43,346,518	$ 73,322,794	$ 238,827,076
Main capital outflow on maturity	662,529,252	91,088,874	93,951,174	89,290,503	169,096,433	219,102,268
Gap	(85,777,478)	87,216,785	(51,001,447)	(45,943,985)	(95,773,639)	19,724,808

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, 2019

(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	$ 4,660,738	$ 795,520	$ 1,073,236	$ 218,610	$ 159,193	$ 2,414,179
Main capital outflow on maturity	4,650,739	1,045,685	1,759,373	424,397	572,968	848,316
Gap	9,999	(250,165)	(686,137)	(205,787)	(413,775)	1,565,863

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,704,232	$ 757,570	$ 775,038	$ 99,150	$ 270,012	$ 1,802,462
Main capital outflow on maturity	3,643,476	771,552	1,249,752	430,144	504,897	687,131
Gap	60,756	(13,982)	(474,714)	(330,994)	(234,885)	1,115,331

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).

49. PARTIALLY ACQUIRED SUBSIDIARY - NO INFLUENCE ON CONTROLLING

The bank acquired 64.44% and 0.16% equity interest of Union Securities Investment Trust Corporation on July 5, 2019 and December 27, 2019, respectively. After the transaction was completed, the amount of total equity interest increased from 35% to 99.60%.

The transaction did not affect the control of USITC by the Bank. For the disclosure relating to the purchase of USITC, refer to Note 53 to the financial statements for the years ended December 31, 2019 and 2018.

50. 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 or disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: None

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

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

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

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

9) Sale of nonperforming loans: None

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

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

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

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

51. SEGMENT INFORMATION

The Bank has disclosed its segment information in the consolidated financial statements. Thus, no segment information is presented in the parent company only financial statements.

TABLE 1

UNION BANK OF TAIWAN

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 Item	Collateral Value	Financing Limit for Each Borrower	Aggregate Financing Limit
1	Union Financial and Leasing International Corporation	Union Capital (Cayman) Corp.	Receivables of affiliates	$ 2,216,328 (JPY 8,000,000)	$ 2,216,328 (JPY 8,000,000)	$ 1,796,674 (JPY 5,639,163) (US$ 7,453)	1.50	Business transaction	$ 2,216,328 (JPY 8,000,000)	-	$ -	-	$ -	$ 2,973,851	$ 2,973,851
2	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Receivables of affiliates	1,025,052 (JPY 3,700,000)	1,025,052 (JPY 3,700,000)	727,849 (JPY 2,627,225)	1.50	Business transaction	1,025,052 (JPY 3,700,000)	-	-	-	-	2,973,851	2,973,851
		Uflc Capital (Singapore) Holding Pte. Ltd.	Receivables of affiliates	1,800,707 (JPY 6,500,000)	1,800,707 (JPY 6,500,000)	1,530,321 (JPY 5,523,808)	1.50	Business transaction	1,800,707 (JPY 6,500,000)	-	-	-	-	2,973,851	2,973,851
3	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	526,378 (JPY 1,900,000)	526,378 (JPY 1,900,000)	406,105 (JPY 1,465,865)	2.75	Business transaction	526,378 (JPY 1,900,000)	-	-	-	-	2,973,851	2,973,851
4	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	914,235 (JPY 3,300,000)	914,235 (JPY 3,300,000)	791,092 (JPY 2,855,504)	2.75	Business transaction	914,235 (JPY 3,300,000)	-	-	-	-	2,973,851	2,973,851

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019 Shares/Piece/ Units (In Thousands)	December 31, 2019 Carrying Value	December 31, 2019 Percentage of Ownership (%)	December 31, 2019 Market Value or Net Asset Value	Note
Union Finance and Leasing International Corporation	Stock							
	Shin Kong Financial Holdings	-	Financial assets at fair value through other comprehensive income	921	$ 9,531	0.007	$ 9,531	
	China Chemical Corporation	-	Financial assets at fair value through other comprehensive income	356	6,861	0.12	6,861	
	Hey-Song Corporation	-	Financial assets at fair value through other comprehensive income	4,551	148,135	1.13	148,135	
	ERA Communications Co., Ltd.	-	Financial assets at fair value through other comprehensive income	425	1,415	0.33	1,415	
	Beneficiary certificates							
	Union Advantage Global FI Portfolio Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	6,114	100,828		100,828	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	854	22,653		22,653	
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,019	30,300	14.38	30,300	
	Greenway Technology Co., Ltd.		Financial assets at fair value through other comprehensive income	1,100	17,600	2.82	17,600	
Union Securities Investment Trust (USITC)	Stock							
	Fundrish Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	566	4,781	0.94	4,781	
	Beneficiary certificates							
	Union Advantage Global FI Portfolio Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,068	17,607		17,607	
	Union Emerging Asia Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	486	5,615		5,615	
	Union Money Market	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,230	16,308		16,308	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	144	3,834		3,834	

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Union China	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	253	$ 7,560		$ 7,560	
	Union Technology Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	365	5,480		5,480	
	Union APEC Balanced A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,001	13,091		13,091	
	Union Asian High Yield Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	2,300	24,317		24,317	
	Union ASHLIC Thematic Fund A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	93	1,001		1,001	
	Union Global Balanced Fund A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	417	4,675		4,675	
Union Finance International (HK) Limited	Bond							
	HBOS Capital Funding LP	-	Financial assets at fair value through profit or loss	900 unit	US$ 920		US$ 920	
	Stock							
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	5	US$ 1,587		US$ 1,587	
	Obsidian	-	Financial assets at fair value through other comprehensive income	17	US$ 12		US$ 12	
	Mr.Cooper Group Inc.	-	Financial assets at fair value through other comprehensive income	1	US$ 18		US$ 18	
	Paypal Holdiing Inc.	-		2	US$ 216		US$ 216	
	Johnson & Johnson	-	Financial assets at fair value through other comprehensive income	3	US$ 438		US$ 438	
New Asian Ventures Ltd.	Stock							
	Grace T.H.W. Holding Limited	-	Financial assets at fair value through other comprehensive income	1,667	55,281	0.81	55,281	

(Concluded)

TABLE 3

UNION BANK OF TAIWAN

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(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	$ 1,786,674 (JPY 5,639,163) (US$ 7,453)	-	$ -	-	$ -	$ -
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Subsidiary	727,849 (JPY 2,627,225)	-	-	-	-	-
	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	1,530,321 (JPY 5,523,808)	-	-	-	-	-
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	406,105 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	791,092 (JPY 2,855,504)	-	-	-	-	-

UNION BANK OF TAIWAN

ASSET QUALITY - NONPERFORMING LOANS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2019					December 31, 2018				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 264,677	$ 105,089,682	0.25%	$ 1,609,158	464.60%	$ 156,712	$ 95,065,830	0.16%	$ 1,453,468	773.71%
	Unsecured		81,673	65,572,028	0.12%			31,144	40,811,740	0.08%		
Consumer banking	Housing mortgage (Note 4)		113,546	169,441,368	0.07%	2,132,294	1,877.91%	109,406	151,086,376	0.07%	1,896,091	1,733.08%
	Cash card		613	22,454	2.73%	4,407	718.92%	361	32,021	1.13%	615	170.36%
	Small-scale credit loans (Note 5)		96,288	29,698,095	0.32%	331,493	344.27%	77,149	23,240,769	0.33%	281,206	364.50%
	Other (Note 6)	Secured	16,482	18,483,090	0.09%	221,603	1,331.51%	26,303	18,025,996	0.15%	221,273	830.76%
		Unsecured	161	2,376,022	0.01%			332	2,427,774	0.01%		
Loan			573,440	390,682,739	0.15%	4,298,955	749.68%	401,407	330,690,506	0.12%	3,852,653	959.79%
			Nonperforming Receivables (Note 1)	**Receivables**	**Ratio of Nonperforming Receivables (Note 2)**	**Allowance for Credit Losses**	**Coverage Ratio (Note 3)**	**Nonperforming Receivables (Note 1)**	**Receivables**	**Ratio of Nonperforming Receivables (Note 2)**	**Allowance for Credit Losses**	**Coverage Ratio (Note 3)**
Credit cards			36,959	16,237,934	0.23%	159,838	432.47%	40,017	14,922,631	0.27%	156,828	391.90%
Accounts receivable factored without recourse			-	443,208	-	4,432	-	-	183,566	-	1,836	-

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, in 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.

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types \ Items	December 31, 2019		December 31, 2018	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable	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)	$ 21,195	$ 96,575	$ 30,402	$ 133,133
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	136,314	738,307	95,253	740,983
Total	157,509	834,882	125,655	874,116

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, 2019
(In Thousands of New Taiwan Dollars)

Invest Company	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 (%)	
Union bank of Taiwan	Financial - related										
	Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	$ 2,973,739	$ 105,095	144,000		144,000	100.00	Note 1
	Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	104,186	36,719	30,000		30,000	99.99	Note 1
	Union Securities Investment Trust Corporation	Taipei	Securities investment trust	99.60	388,935	500	29,879		29,879	35.00	Note 1
	Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution, system programming development, system development outsourcing, website design, e-commerce, etc.	99.99	20,832	(964)	1,000		1,000	99.99	Note 1
	Union Venture Capital Corporation	Taipei	Venture investment	100.00	299,846	(154)	30,000		30,000		
	Ipass Corporation	Kaohsiung	IC card	11.40	84,205	-	13,000		13,000	11.40	
	Taiwan Gin Lian Asset Management Corporation	Taipei	Purchase, sale and management of nonperforming loans from financial institutions	0.57	77,077	-	6,000		6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	48,244	-	5,000		5,000	2.94	
	Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53	18,011	-	2,103		2,103	0.53	
	Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44	4,497	-	386		386	6.44	
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	7,015	-	160		160	0.81	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.47	294,550	-	12,875		12,875	2.47	
	Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	59,862	-	945		945	0.25	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	439,293	-	7,216		7,216	2.04	
	Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	3,361	-	600		600	1.00	
	LINE BIZ+ Taiwan., Ltd	Taipei	Data processing, digital information supply and third party payment services	10.00	1,534,969	(35,661)	5,471		5,471	10.00	Note 1
	Nonfinancial - related										
	Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	52,513	(319)	2,000		2,000	40.00	Note 1
	Fu Hua Venture Corporation	Taipei	Investments	5.00	2,911	-	260		260	5.00	
	Li Yu Venture Corporation	Taipei	Investment	4.76	3,779	-	558		558	4.76	
	Lian An Service Corporation	Taipei	Security service	5.00	1,526	-	125		125	5.00	
	Taiwan Power Corporation	Taipei	Electricity-related business	0.0012	3,388	-	395		395	0.0012	
Union Finance and Leasing International Corporation	Nonfinancial - related										
	Union Capital (Cayman) Corp	Cayman	Investments, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable	100.00	642,919	65,097	50		50	100.00	Note 1
	New Asian Ventures Ltd.	BVI	Investments, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable	100.00	77,515	(62)	-		-	100.00	Note 1
Union Capital (Cayman) Corp.	Nonfinancial - related										
	Union Capital (Singapore) Holding Pte. Ltd.	Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	51,493 (JPY 185,866)	21,226 (JPY 74,874)	-		-	100.00	Note 3
	Uflc Capital (Singapore) Holding Pte. Ltd.	Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	62,786 (JPY 226,632)	28,945 (JPY 102,100)	-		-	100.00	Note 3

(Continued)

Invest Company	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 (%)	
Union Capital (Singapore) Holding Pte. Ltd.	<u>Nonfinancial - related</u>										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	30.55	$ 133,386 (JPY 481,467)	$ 2,348 (JPY 8,281)	9		9	30.55	Note 3
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	49.00	213,716 (JPY 771,424)	20,035 (JPY 70,674)	Note 5		Note 5	49.00	Note 3
Kabushiki Kaisha UCJ1	<u>Nonfinancial - related</u>										
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	51.00	222,425 (JPY 802,858)	20,853 (JPY 73,558)	Preferred stock 15		Preferred stock 15	51.00	Note 3
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	51.00	272,691 (JPY 984,300)	16,987 (JPY 59,920)	Preferred stock 20		Preferred stock 20	51.00	Note 3
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	51.00	183,678 (JPY 663,000)	13,206 (JPY 46,584)	Preferred stock 13		Preferred stock 13	51.00	Note 3
Uflc Capital (Singapore) Holding Pte. Ltd.	<u>Nonfinancial - related</u>										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	69.45	303,248 (JPY 1,094,597)	5,337 (JPY 18,827)	21		21	69.45	Note 3
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	49.00	262,012 (JPY 945,750)	16,321 (JPY 57,570)	Note 6		Note 6	49.00	Note 3
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	49.00	176,489 (JPY 637,050)	12,688 (JPY 44,757)	Note 4		Note 4	49.00	Note 3

Note 1: Expect for LINE BIZ+ Taiwan., Ltd, the investees' information shown above is based on audited financial reports as of December 31, 2018.

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.

Note 3: Union Capital (Singapore) Holding Pte. Ltd., Uflc Capital (Singapore) Holding Pte. Ltd. and Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 - the audited statements of stockholders' equity as of September 30, 2019. Kabushiki Kaisha UCJ1 - unaudited statements of stockholders' equity as of September 30, 2019.

Note 4: Refers to 1 share of common stock and 13 thousand shares of preferred stock.

Note 5: Refers to 1 share of common stock and 14 thousand shares of preferred stock.

Note 6: Refers to 1 share of common stock and 19 thousand shares of preferred stock.

(Concluded)

UNION BANK OF TAIWAN

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

UNION BANK OF TAIWAN

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Amounts
Cash on hand (Note)	$ 6,865,456
Checks for clearing	1,076,011
Due from banks	2,995,817
	$ 10,937,284

Note: Including US$7,798 thousand @30.106, JPY763,497 thousand @0.277, HK$42,837 thousand @3.866, EUR3,305 thousand @33.7368 and CNY22,482 thousand @4.3231.

UNION BANK OF TAIWAN

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Instrument Name	Par Value	Shares	Rate (%)	Acquisition Cost	Fair Value Unit Price	Fair Value Total Amount	Credit Risk Due to Changes in Fair Value	Note
Beneficiary certificates		48,061		$ 520,109	$9.68-$12.99	$ 532,562	$ -	
Commercial paper (Note 1)	29,725,600		0.53-1.13	29,671,959		29,670,103	-	
Asset-based securities	54,861		7.00-7.18	54,861		67,361	-	Due before Febuary.2024
Future exchange margins				61,302		61,302		
Derivative instruments								
Foreign exchange forward contracts						42,044	-	
Currency swap contracts						199,417	-	
Option contracts						26,995	-	
						268,446	-	
							-	
						$ 30,599,774	$ -	

Note 1: The amount of each individual item in others does not exceed 5% of the account balance.

Note 2: $13,458,214 thousand of financial instruments at fair value through profit or loss was sold under repurchase agreements.

UNION BANK OF TAIWAN

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Instrument Name	Shares (In Thousands)	Par Value	Rate (%)	Acquisition Cost	Loss Allowance	Fair Value Total Amount	Fair Value Unit Price
Government bonds (Note 1)		$ 5,250,000	0.63-2.00	$ 5,499,284	$ -	$ 5,532,808	
Overseas government bonds (Note 1)		5,566,599	2.13-5.75	5,535,808	(1,792)	5,772,116	
Corporate bonds (Note 1)		6,700,000	0.74-1.71	8,971,921	(3,149)	6,736,723	
Overseas corporate bonds (Note 1)		9,557,569	2.75-5.99	9,561,095	(7,811)	9,801,611	
Overseas bond debentures (Note 1)		5,136,729	1.89-6.80	5,236,752	(68,467)	5,394,699	
Domestic listed shares (Note 1)	46,671			1,290,043	-	1,364,797	
Overseas listed shares							
VISA	939			331,343	-	5,311,947	$5,655
Unlisted shares	49,622			509,273	-	1,047,719	
				$ 36,935,519	$ (81,219)	$ 40,962,420	

Note 1: The amount of each individual item in others does not exceed 5% of the account balance.

Note 2: $19,671,156 thousand of financial instruments at fair value through other comprehensive income was sold under repurchase agreements.

UNION BANK OF TAIWAN

STATEMENT OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bond Name	Par Value	Loss Allowance	Unamortized Premiums (Discounts)	Rate (%)	Carrying Value	Collateral	Note
Government bonds	$ 10,750,000	$ -	$ 423,137	0.63-2.63	$ 11,173,137	None	
Asset-based securities (Note 2)	50,322,783	(303,468)	17,697	3.00-5.50	50,037,012	None	
Negotiable certificates of deposits (NCD)							
NCD issued by the CBC	42,960,000	-	-	0.59-0.64	42,960,000	None	
					$ 104,170,149		

Note 1: The par value of asset-based securities is its initial investment amount.

Note 2: The amount of each individual item in others does not exceed 5% of the account balance.

Note 3: $44,134,600 thousand of financial instruments at amortized cost was sold under repurchase agreements.

STATEMENT 5

UNION BANK OF TAIWAN

STATEMENT OF SECURITIES PURCHASED UNDER RESALE AGREEMENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Par Value	Book Value	Note
Commercial paper	$ 24,262,300	$ 24,223,631	
Corporate bonds	22,765,191	22,966,283	
Negotiable certificates of deposits	4,169,100	4,170,311	
		$ 51,360,225	

Note: The amount of each individual item in others does not exceed 5% of the account balance.

UNION BANK OF TAIWAN

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Balance, January 1, 2019		Addition in Investment		Decrease in Investment		Increase (Decrease) in Using Equity Method	Balance, December 31, 2019			Market Value or Net Assets Value	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	%	Amount		
Union Finance and Leasing International Corporation (UFLIC)	130,000	$ 2,879,129	$ 14,000	$ -	-	$ 10,485	$ 105,095	144,000	100.00	$ 2,973,739	$ 2,973,739	None
Union Securities Investment Trust Corporation (USITC)	10,500	132,313	19,379	256,122	-	-	500	29,879	99.60	388,935	388,935	None
Union Finance Internation (HK) Limited	30,000	69,721	-	-	-	2,254	36,719	30,000	99.99	104,186	104,186	None
Union Information Technology Corporation (UIT)	1,000	21,170	-	626	-	-	(964)	1,000	99.99	20,832	20,832	None
Union Venture Capital Co. Ltd.	-	-	30,000	300,000	-	-	(154)	30,000	100.00	299,846	299,846	
Associates												
Union Real Estate Management Corporation	2,000	52,832	-	-	-	-	(319)	2,000	40	52,513	52,513	None
LINE BIZ+ Taiwan, Ltd.	5,471	1,570,630	-	-	-	-	(35,661)	5,471	10	1,534,969	1,534,969	
		$ 4,725,795		$ 556,748		$ 12,739	$ 105,216			$ 5,375,020		

Note: The amount of increase and decrease in the current period is due to recognition of the unrealized gains and losses of financial assets at fair value through other comprehensive income, the remeasurement of defined benefit plans and exchange differences on translating foreign operations.

UNION BANK OF TAIWAN

STATEMENT OF OTHER ASSETS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Amount
Refundable deposits	$ 2,533,030
Prepaid expenses	580,516
Prepaid pension cost	153,564
Others (Note)	192
	$ 3,267,302

Note: The amount of each individual item in others does not exceed 5% of the account balance.

STATEMENT 8

UNION BANK OF TAIWAN

STATEMENT OF DEPOSITS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Amounts
Saving deposits	
Withdrawals of interest savings deposits	$ 133,741,082
Demand deposits	146,234,157
Round-amount savings deposits	45,364,120
Staff demand savings deposits	1,615,031
Regular deposits	361,303
	327,270,693
Time deposits	
General deposits	47,025,849
Policy-based deposits	9,877,300
Foreign-exchange time deposits	50,284,086
	107,187,235
Demand deposits	
General deposits	71,107,909
Foreign-exchange deposits	21,939,983
	93,047,892
Checking deposits	5,866,457
Negotiable certificates of deposits	234,500
Inward and outward remittances	49,186
	$ 533,655,963

STATEMENT 9

UNION BANK OF TAIWAN

STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Face value	Amount	Note
Commercial paper	$ 13,483,600	$ 13,471,704	
Assets-based securities	-	34,959,474	
Corporate bonds	9,278,691	8,259,790	
Government bonds	4,701,617	4,177,567	
Financial bonds	5,057,808	4,508,901	
		$ 65,377,436	

UNION BANK OF TAIWAN

STATEMENT OF BANK DEBENTURES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bonds Name	Trustee	Issuance Date	Interest Payment Date	Terms of Bank Debentures	Coupon Rate (%)	Total Amount	Balance, End of Year
First issue of subordinated bank debentures in 2013	-	2013/12/19	On 12/19 annually	Interest payable annually after the issue date, principal repayable on maturity	2.10	3,000,000	3,000,000
First issue of subordinated bank debentures in 2015	-	2015/04/22	On 4/22 annually	Interest payable annually after the issue date, principal repayable on maturity	2.08	2,200,000	2,200,000
First issue of subordinated bank debentures in 2016	-	2016/03/29	On 7/1 annually	Redeemable at face value plus interest accrued under the approval of the authorities when the issue term is over 5.1 years	4.20	2,500,000	2,500,000
First issue of subordinated bank debentures in 2017	-	2017/02/23	On 7/1 annually	Redeemable at face value plus interest accrued under the approval of the authorities when the issue term is over 5.1 years	4.20	500,000	500,000
First issue of subordinated bank debentures in 2019	-	2019/09/26	On 9/26 annually	Interest payable annually after the issue date, principal repayable on maturity	1.10	500,000	500,000
First issue of subordinated bank debentures in 2019	-	2019/09/26	On 9/26 annually	Interest payable annually after the issue date, principal repayable on maturity	1.23	1,500,000	1,500,000
						$ 10,200,000	$ 10,200,000

STATEMENT 11

UNION BANK OF TAIWAN

STATEMENT OF NET PROFIT OR LOSS OTHER THAN INTEREST
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Amounts
Rental revenue	$ 14,792
Loss on disposal of collaterals	43,640
Bad debts written off	(6,006)
Other (Note)	(2,007)
	$ 50,419

Note: The amount of each individual item in others does not exceed 5% of the account balance.

STATEMENT 12

UNION BANK OF TAIWAN

STATEMENT OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Amount				Note
	Personnel Expenses	Net Profits Other than Interest	Other Operating Expenses	Total	
Employee benefit expenses					
Salaries and wages	$ 3,085,297	$ -	$ -	$ 3,085,297	
Labor insurance and national health insurance	284,701	-	-	284,701	
Pension	152,982	-	-	152,982	
Directors remuneration	13,366	-	1,287	14,653	
Others	51,735	-	-	51,735	
	$ 3,588,081	$	$ 1,287	$ 3,589,368	

Note 1: In 2019 and 2018, the Bank had an average of 3,987 and 3,767 employees, respectively, of which there were 9 and 10 non-employee directors, respectively.

Note 2: In 2019 and 2018, the average employee benefit expenses were $898 thousand and $876 thousand, respectively.

Note 3: In 2019 and 2018, the average salaries and wages were $775 thousand and $752 thousand, respectively.

Note 4: The average adjustment to salaries and wages is 3.06%.

Union Bank of Taiwan

Securities Department Disclosure
Years Ended December 31, 2019 and 2018

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	$ 200	-	$ 200	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 5)	3,116,471	65	2,866,433	66
Receivables, net (Notes 4 and 6)	603,460	13	461,406	10
Prepayments	5,462	-	6,294	-
Other current assets	329	-	925	-
Total current assets	3,725,922	78	3,335,258	76
NON-CURRENT ASSETS				
Financial assets at amortized cost (Notes 4 and 7)	719,695	15	724,298	17
Operating guaranty deposits (Note 8)	150,000	3	150,000	3
Settlement clearing deposits (Note 9)	24,370	-	24,818	1
Refundable deposits	35,975	1	35,975	1
Inter department debits (Note 14)	119,898	3	92,787	2
Total non-current assets	1,049,938	22	1,027,878	24
TOTAL	$ 4,775,860	100	$ 4,363,136	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Securities sold under repurchase agreements (Notes 4 and 10)	$ 3,311,735	70	$ 3,036,045	70
Accounts payable (Note 11)	584,479	12	442,068	10
Receipts under custody	1,264	-	1,086	-
Other payables	13,640	-	13,560	-
Total current liabilities	3,911,118	82	3,492,759	80
Total liabilities	3,911,118	82	3,492,759	80
EQUITY				
Registered operating capital	840,000	18	840,000	19
Retained earnings				
Other equity	17,632	-	23,337	1
Unrealized gain on financial assets at fair value through other comprehensive income				
Unrealized gain on available for sale financial assets	7,110	-	7,040	-
Total equity	864,742	18	870,377	20
TOTAL	$ 4,775,860	100	$ 4,363,136	100

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

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	**%**	**Amount**	**%**
REVENUES (Note 4)				
Brokerage fee revenue, net (Note 17)	$ 105,996	66	$ 110,749	65
Underwriting business revenue	371	-	246	-
Net profit from sale of operation securities - dealing	1,783	1	-	-
Interest revenue	33,617	21	36,222	21
Net gains on measurement at fair value through profit or loss for securities held for operations	431	-	361	-
Net gains on investments in debt instruments at fair value through other comprehensive income	346	-	530	-
Commission revenues	1,727	1	1,887	1
Other operating revenues	17,090	11	21,804	13
Expected credit loss (Note 4)	7	-	(267)	-
Total revenues	161,368	100	171,532	100
COST AND EXPENSES				
Brokerage fee expenses, net	7,498	5	7,616	4
Net loss from sale of operation securities dealer	-	-	181	-
Financial costs	3,380	2	3,318	2
Employee benefit expenses (Note 12)	98,219	61	97,489	57
Depreciation and amortization	12,901	8	11,063	6
Others (Note 13)	56,117	35	54,129	32
Total cost and expenses	178,115	111	173,796	101
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses	38,255	24	31,348	18
PROFIT BEFORE INCOME TAX	21,508	13	29,084	17
INCOME TAX EXPENSE (Note 4)	3,876	2	5,747	3
NET INCOME	17,632	11	23,337	14
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on investment in debt instruments at fair value through other comprehensive income	70	-	(4,707)	(3)
TOTAL COMPREHENSIVE LOSS	$ 17,702	11	$ 18,630	11

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

The securities department of the Union Bank of Taiwan (the Department) was established on July 27, 1994 and obtained the securities dealer's license from the authorities on August 11, 2010. The Department is principally engaged in the provision of brokerage services and the bonds and securities business. The Department's working capital were both $840,000 thousand as of December 31, 2019 and 2018

The numbers of employees in the Department as of December 31, 2019 and 2018 were 117 and 120, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors of the Department approved and authorized the issue of the financial statements on March 11, 2020.

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

Refer to Note 3 to the financial statements of the Bank.

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 Securities Firms.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Department does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Financial Instruments

Financial assets and financial liabilities are recognized when the Department becomes a party to the contractual provisions of the instrument.

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 FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

   1) Financial assets at FVTPL

      Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

      A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

      Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 45.

   2) Financial assets at amortized cost

      Financial assets that meet the following conditions are subsequently measured at amortized cost:

      a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Department may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Department recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables, loans and non-accrual loans), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

For financial instruments and contract assets, the Department recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Department measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Department recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c. Derecognition of financial assets

The Department 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.

Recognition of Revenue

Revenue is recognized when it is realized or realizable and also when it is earned. Revenue earned from service is recognized when the service is rendered.

Taxation

Income tax expense is the sum of tax currently payable and deferred income tax.

5. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	**2018**
Corporate bonds	$ 2,565,737	$ 2,366,538
Government bond	550,734	499,895
	$ 3,116,471	$ 2,866,433

The Department sold all of its financial assets at FVTOCI under several repurchase agreements on December 31, 2019.

6. RECEIVABLES, NET

	December 31	
	2019	2018
Investments receivable	$ 545,843	$ 293,640
Interest receivable	17,623	18,448
Reimbursed for settlement	39,994	149,318
	$ 603,460	$ 461,406

7. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2019	2018
Debt instruments		
Government bonds	$ 719,695	$ 724,298

8. OPERATING GUARANTEE DEPOSITS

	December 31	
	2019	2018
Securities broker operating guarantee deposits	$ 90,000	$ 90,000
Futures broker operating guarantee deposits	50,000	50,000
Securities dealer operating guarantee deposits	10,000	10,000
	$ 150,000	$ 150,000

The Department placed $150 million in time deposits in designated banks as operating guarantee deposits as of December 31, 2019 and 2018 in accordance with the Securities and Exchange Act, Regulations Governing Securities Firms, Regulations Governing Offshore Funds, and Regulations Governing Futures Commission Merchants.

9. SETTLEMENT CLEARING DEPOSITS

	December 31	
	2019	2018
Taiwan Stock Exchange Corporation settlement clearing deposits	$ 13,882	$ 12,923
Taipei Exchange settlement clearing deposits	10,488	11,895
	$ 24,370	$ 24,818

The Department made deposits into the clearing and settlement fund in dedicated accounts for custody set up by the Taiwan Stock Exchange and the Taipei Exchange in accordance with the standards provided by the Taiwan Stock Exchange and the Taipei Exchange. With respect to interest accrued from utilization by the Taiwan Stock Exchange and Taipei Exchange of the clearing and settlement fund, the Taiwan Stock Exchange and Taipei Exchange settle accounts on a half-yearly basis and reimburse any remaining interest, after deducting applicable fees and taxes, to the securities firms in accordance with Securities and Exchange Act.

10. BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2019	2018
Government bonds	$ 605,090	$ 550,381
Corporate bonds	2,706,645	2,485,664
	$ 3,311,735	$ 3,036,045
Maturity date	January to July 2020	January to February 2019
Repurchase price	$ 3,314,382	$ 3,037,214

11. PAYABLES

	December 31	
	2019	2018
Investments receivable	$ 455,093	$ 420,237
Reimbursed for settlement	127,991	21,170
Others	1,395	661
	$ 584,479	$ 442,068

12. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2019	2018
Employee benefit expense		
Salaries	$ 78,299	$ 78,002
Labor and health insurance	8,627	8,407
Pension	4,889	4,820
Others	6,404	6,260
	$ 98,219	$ 97,489

13. OTHER OPERATING EXPENSE

	For the Year Ended December 31	
	2019	2018
Computer operating	$ 7,584	$ 7,677
Postage/cable charge	4,298	4,315
Maintenance charge	4,857	4,450
Taxation	2,590	2,782
Utilities	2,033	2,073
Others	34,755	32,832
	$ 56,117	$ 54,129

14. RELATED-PARTY TRANSACTIONS

a. Related parties

Related Party	Relationship with the Department
Union Bank of Taiwan	Headquarter of the Department

b. Significant transactions between the Department and related parties

Related Party	Account	December 31 2019	December 31 2018
Union Bank of Taiwan	Inter-Department Debits	$ 119,898	$ 92,787

Brokerage handling fees changed to related parties were adjusted to the account “Inter-Department Debits” and the rate and collection term were not significantly different from those with other customers.

15. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments 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.

	December 31, 2019			
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<u>Assets</u>				
Financial assets at amortized cost	$ 719,695	$ 726,616	$ 724,298	$ 726,932

Fair value hierarchy:

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial asset</u>				
Financial assets at amortized cost	$ 726,616	$ -	$ 726,616	$ -

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Financial asset</u>				
Financial assets at amortized cost	$ 726,932	$ -	$ 726,932	$ -

b. The Department's methods and assumptions used to measure the fair value of financial assets and liabilities are as follows:

1) The carrying values of cash, cash equivalents, receivables, net, other financial assets, other current assets, inter-department debits, payables, collection payments, other payables (other than tax payable) and other current liabilities approximate the fair values due to their short maturities.

2) The carrying values of operating guarantee deposits, settlement clearing deposits and refundable deposits approximate their fair values due to the fact that interest payments are collected and cash discounts are immaterial.

3) The information on the fair value hierarchies of the Department's financial instruments as of December 31, 2019 and 2018 were as follows:

Item	December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis nonderivative financial instruments				
Assets				
Financial assets at FVTOCI				
Bond investments	$ 3,116,471	$ -	$ 3,116,471	$ -

Item	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis nonderivative financial instruments				
Assets				
Financial assets at FVTOCI				
Bond investments	$ 2,866,433	$ -	$ 2,866,433	$ -

Refer to Note 45 for further information regarding the definitions of the 3 levels of fair value measurement.

That was no material transfer between Level 1 and Level 2 for 2019 and 2018.

d. Information on financial risk management

1) Market risk

Transactions of the Department were all measured at fair value using reliable information, such as the market price, market interest rate and maturity date. Moreover, hedging strategies were also applied to mitigate risk exposure.

2) Credit risk

Credit risks refers to the Department’s exposure to financial losses due to inability of customers, bonds issuers, or counterparties to meet the contractual obligations on financial instruments. Before entering transactions, the Department evaluates the counterparty’s credit status with reference to external credit rating information. Furthermore, the Department assigns different transaction limits to counterparties of different credit ratings in order to mitigate default losses when extreme situations occur.

Investments in debt instruments made by the Department were composed of financial assets at FVTOCI and financial assets at amortized cost:

December 31, 2019

	FVTOCI	Amortized Cost	Total
Carrying value	$ 3,111,111	$ 719,695	$ 3,830,806
Loss allowance	(875)	-	(875)
Fair value	6,235	-	6,235
	$ 3,116,471	$ 719,695	$ 3,836,166

December 31, 2018

	FVTOCI	Amortized Cost	Total
Carrying value	$ 2,861,157	$ 724,298	$ 3,585,455
Loss allowance	(882)	-	(882)
Fair value	6,158	-	6,158
	$ 2,866,433	$ 724,298	$ 3,590,731

The Department continuously monitors the external credit rating information and price movements of the debt instruments invested in to assess whether credit risk has significantly increased since initial recognition of the investment.

The Department takes into consideration the multi-period default probability table for each rating of securities issued by credit rating agencies and the recovery rates of different types of bonds to assess the 12-month expected credit losses or lifetime expected credit losses for these investments.

Debt investments at FVTOCI and at amortized cost, sorted by credit ratings, are shown as follows:

Credit Risk Ratings	Definition	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Rate	Carrying Amount at December 31, 2019
Low credit risk	The debtor has low credit risk	12-month ECL	0%-0.06%	$ 3,836,166
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECL	Note	-
Default	Evidence of credit impairment	Lifetime ECL	100%	-

Credit Risk Ratings	Definition	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Rate	Carrying Amount at December 31, 2018
Low credit risk	The debtor has low credit risk	12-month ECL	0%-0.07%	$ 3,590,731
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECL	Note	-
Default	Evidence of credit impairment	Lifetime ECL	100%	-

Note: Credit rating of investment in debt instruments on December 31, 2019 and 2018 was normal

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost grouped by credit rating is reconciled as follows:

	Credit Ratings		
	Low Credit Risk	Significant Increase in Credit Risk Since Initial Recognition	Evidence of Credit Impairment
Balance at January 1, 2019	$ 882	$ -	$ -
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	-	-
Significant increase in credit risk to default	-	-	-
New debt instruments purchased	417	-	-
Derecognition	(343)	-	-
Risk/model parameter change	-	-	-
Other changes	(81)	-	-
Balance at December 31, 2019	$ 875	$ -	$ -
Balance at January 1, 2018 under IAS 39	$ -	$ -	$ -
Effect of retrospective application of IFRS 9	615	-	-
Balance at January 1, 2018 under IFRS 9	615	-	-
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	-	-
Significant increase in credit risk to default	-	-	-
New debt instruments purchased	268	-	-
Derecognition	(59)	-	-
Risk/model parameter change	-	-	-
Other changes	58	-	-
Balance at December 31, 2018	$ 882	$ -	$ -

3) Liquidity risk

The Department has low liquidity risk due to the fact that investments owned by the Department have relatively high liquidity. Besides, among those investments, the Department also set holding limits.

16. ADDITIONAL DISCLOSURES

Significant transactions and investees:

a. Financing provided: None.

b. Endorsement/guarantee provided: None.

c. Acquisition of individual real estate at a costs of at least NT$100 million or 20% of the paid-in capital: None.

d. Disposal of individual real estates at a prices of at least NT$100 million or 20% of the paid-in capital: None.

e. Allowance for service fees to related parties amounting to at least NT$5 million: None.

f. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

17. RELATED INFORMATION ON EQUITY INVESTMENTS IN INVESTEES: NONE

18. INVESTMENT IN MAINLAND CHINA: NONE

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Maturity Date	Interest Rate %	Fair Value	Accumulated Impairment	Historical Cost		Fair Value	
					Unit Price	Total Price	Unit Price	Total Price
Government bonds								
A05113V	2021/10/25	0.6300	$ 300,000	$ -	99.8830	$ 299,650	100.2210	$ 300,663
HB0701	2023/10/16	0.7800	200,000	-	100.0000	200,000	100.1610	200,322
A08106	2029/06/26	0.6300	50,000	-	99.4860	49,743	99.4980	49,749
			550,000	-		549,393		550,734
Corporate bonds								
B30440	2024/05/15	0.7500	200,000	(75)	99.9995	199,999	99.6240	199,248
B71888	2022/09/21	0.8900	200,000	(38)	100.0000	200,000	100.5500	201,100
B903V3	2022/11/28	1.4100	200,000	(64)	102.0500	204,101	102.0390	204,078
B903WX	2024/04/25	0.8000	180,000	(56)	100.0000	180,000	100.1750	180,315
B903V4	2022/12/26	1.3900	400,000	(128)	101.5843	406,337	102.0208	408,083
B903WJ	2022/12/15	0.8800	300,000	(93)	100.0000	300,000	100.4850	301,455
B95451	2020/08/03	1.3500	200,000	(74)	100.0000	200,000	100.4100	200,820
B98411	2023/09/26	0.8500	200,000	(125)	100.0000	200,000	99.9805	199,961
B903X6	2024/12/16	0.7500	470,000	(146)	99.9998	469,999	100.0000	470,000
Others (Note 2)			200,000	(76)		200,407		200,677
			2,550,000	(875)		2,560,843		2,565,737
			$ 3,100,000	$ (875)		$ 3,110,236		$ 3,116,471

Note 1: Total amount under repurchase agreement is $3,116,471 thousand.

Note 2: Individual items have not exceeded 5% of the total amount.

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF BONDS UNDER PURCHASE AGREEMENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Transaction Terms			Fair Value	Issue Price
	Issue Date	Maturity Date	Interest Rate %		
Government bonds					
A05113V	2019/12/25	2020/02/20	0.32	$ 300,000	$ 329,826
HB0701	2019/12/20	2020/03/19	0.32	200,000	220,157
A08106	2019/12/17	2020/01/20	0.32	50,000	55,107
				550,000	605,090
Corporate bonds					
B30440	2019/12/25	2020/02/11	0.62	200,000	207,985
B71888	2019/12/27	2020/02/14	0.59	200,000	210,697
B903V3	2019/09/06	2020/07/01	0.57	200,000	217,000
B903WX	2019/09/06	2020/07/01	0.57	180,000	192,440
B903V4	2019/12/20	2020/02/18	0.41	400,000	419,356
B903WJ	2019/12/25	2020/02/18	0.41	300,000	319,380
B95451	2019/12/16	2020/02/14	0.42	200,000	207,693
B98411	2019/12/27	2020/02/14	0.62	200,000	215,276
B903X6	2019/12/24	2020/02/11	0.61	470,000	497,608
Others (Note)	2019/12/25	2020/02/06	0.60	200,000	219,210
				2,550,000	2,706,645
				$ 3,100,000	$ 3,311,735

Note: Individual items have not exceeded 5% of the total amount.

STATEMENT 3

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF FINANCIAL ASSETS AT AMORTISED COST
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Total Amount	Maturity Date	Unamortized Gross Price	Interest Rate	Accumulated Impairment	Book Value	Provided as Guarantee or Pledged as Collateral
Government bonds							
A03106H	700,000	2024/03/03	$ 19,695	1.50%	$ -	$ 719,695	None

STATEMENT 4

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

ITEM STATEMENT (SORTED BY BUSINESS CATEGORY)
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Broker		Dealer			
	Amount	%	Amount	%	Total	%
Profit (loss)						
Operating revenue						
Brokerage fee revenue	$ 105,996	85	$ -	-	$ 105,996	66
Underwriting business revenue	371	-	-	-	371	-
Profit from sale of operation securities - dealing	-	-	1,783	5	1,783	1
Interest revenue	-	-	33,617	93	33,617	21
Net profit from operating securities at fair value through profit or loss	-	-	431	1	431	-
Net realized profit from debt investments at fair value through other comprehensive income	-	-	346	1	346	-
Commission revenue	1,727	1	-	-	1,727	1
Others operating revenue	17,090	14	-	-	17,090	11
Expected credit losses	-	-	7	-	7	-
	125,184	100	36,184	100	161,368	100
Operating expense						
Brokerage fee	7,498	6	-	-	7,498	5
Finance cost	3,380	3	-	-	3,380	2
Employee benefits expense	85,121	68	13,098	36	98,219	61
Depreciation and amortization expense	12,901	10	-	-	12,901	8
Other operating expense	38,040	30	18,077	50	56,117	35
	146,940	117	31,175	86	178,115	111
Profit (loss)	(21,756)	(17)	5,009	14	(16,747)	(11)
Other income and losses	38,255	30	-	-	38,255	24
Profit before tax	16,499	13	5,009	14	21,508	13
Income tax expense	3,294	2	582	2	3,876	2
Net profit (loss)	13,205	11	4,427	12	17,632	11
Other comprehensive income	-	-	70	-	70	-
Total comprehensive income	$ 13,205	11	$ 4,497	12	$ 17,702	11

STATEMENT 5

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF BROKERAGE FEE REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Securities Brokerage at Stock Exchange Market	Securities Brokerage at over the Counter Market	Total
January	$ 8,017	$ 3,227	$ 11,244
February	7,276	2,898	10,174
March	10,845	4,069	14,914
April	13,922	4,767	18,689
May	13,033	4,323	17,356
June	9,776	2,951	12,727
July	13,842	4,039	17,881
August	13,770	3,782	17,552
September	11,307	3,226	14,533
October	12,547	3,722	16,269
November	12,052	3,562	15,614
December	13,964	4,085	18,049
	$ 140,351	$ 44,651	$ 185,002

STATEMENT 6

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF DISCOUNTS ON BROKERAGE FEE REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Month	Stock Exchange Market	Over-the-Counter	Total
January	$ 3,283	$ 1,408	$ 4,691
February	2,922	1,248	4,170
March	4,367	1,676	6,043
April	5,975	2,109	8,084
May	5,568	1,864	7,432
June	4,309	1,420	5,729
July	6,076	1,757	7,833
August	6,240	1,752	7,992
September	5,050	1,361	6,411
October	5,433	1,566	6,999
November	5,190	1,534	6,724
December	5,337	1,561	6,898
	$ 59,750	$ 19,256	$ 79,006

STATEMENT 7

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF SECURITIES SOLD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Revenue from Sale of Securities	Cost of Securities Sold	Profit or Loss
Dealer			
Sold at the office			
Financial assets at FVTPL			
Government bonds	$ 7,672,061	$ 7,670,278	$ 1,783
Financial assets at FVTOCI			
Government bonds	300,346	300,000	346
	$ 7,972,407	$ 7,970,278	$ 2,129

STATEMENT 8

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Amounts
Interest revenue from bond investments	
Interest from financial assets at FVOCI	$ 25,476
Interest from financial assets at amortized cost	8,118
	33,594
Others	23
	$ 33,617

STATEMENT 9

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF OPERATING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	2019	2018
Employee benefit expense		
Salary expense	$ 78,299	$ 78,002
Insurance expense	8,627	8,407
Pension expense	4,889	4,820
Others (Note)	6,404	6,260
	98,219	97,489
Depreciation and amortization expense		
Depreciation expense	8,531	6,421
Amortization expense	4,370	4,642
	12,901	11,063
Other operating expense		
Computer operating expense	7,584	7,677
Maintenance expense	4,857	4,450
Postage/cable fee	4,298	4,315
Utilities	2,033	2,073
Tax	2,590	2,782
Others (Note)	34,755	32,832
	56,117	54,129
	$ 167,237	$ 162,681

Note 1: Total number of employees was 117 and 120 in 2019 and 2018, respectively.

Note 2: Individual items have not exceeded 5% of the total amount.

Union Bank of Taiwan and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 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, 2019 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 11, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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 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, 2019. 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.

The key audit matters of the Company's consolidated financial statements for the year ended December 31, 2019 are described as follows:

Assessment of the Impairment of Discounts and Loans

As of December 31, 2019, the net amount of discounts and loans of the Company was $384,649,673 thousand which, represented approximately 55% of total consolidated assets, and was considered material to the financial statements as a whole. Refer to Note 14 to the consolidated financial statements. The Company's management performs loan impairment assessment involving critical judgements on accounting estimates and assumptions; therefore, we determined allowance for possible losses on discounts and loans a key audit matter for the year ended December 31, 2019.

The Company's management periodically performs loan impairment assessment through making judgements to measure the loss allowance at an amount equal to 12-month expected credit losses or the lifetime expected credit losses. Also, the allowance provision should comply with classification of credit assets and relevant regulations for the provision issued by the authorities.

For the accounting policies and relevant information on loan impairment assessment, refer to Notes 4, 5 and 14 to the financial statements.

The main audit procedures we performed in response to certain aspects of the key audit matter described above were 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. Obtain an understanding of the assumptions and critical factors of the impairment assessment model, including the Probability of Default and the Loss Given Default, and testing whether those estimates reasonably reflected the actual status of each loan.

3. Perform test on reasonableness of calculation of expected credit losses for selected loans.

4. Test the classification of credit assets by length of overdue period for the respective loans and its collateral in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

Other Matter

We have also audited the separate financial statements of Union Bank of Taiwan as of and for the years ended December 31, 2019 and 2018 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, 2019 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 Jui-Chan Huang and Chen-Hsiu Yang.

Huang, Jui Chan   Yang, Chen Hsiu

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 12,382,445	2	$ 14,014,731	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	17,344,886	3	29,262,634	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	30,917,254	5	36,709,925	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9 and 11)	41,236,965	6	33,393,507	5
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 10 and 11)	104,170,149	15	94,149,872	15
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	51,417,825	7	68,480,765	11
RECEIVABLES, NET (Notes 4, 5, 13 and 15)	21,177,107	3	18,131,482	3
CURRENT TAX ASSETS	58,716	-	81,020	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14, 15 and 45)	384,649,673	55	325,015,686	50
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 17)	1,587,482	-	1,623,462	-
OTHER FINANCIAL ASSETS, NET (Notes 3, 4, 18 and 46)	3,632,648	1	2,301,648	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 19)	7,969,302	1	8,007,495	1
RIGHT-OF-USE ASSETS (Notes 3, 4 and 20)	1,439,735	-	-	-
INVESTMENT PROPERTIES, NET (Notes 4, 21, 29 and 46)	5,369,780	1	5,398,908	1
INTANGIBLE ASSETS (Notes 4 and 22)				
Goodwill	1,985,307	-	1,985,307	-
Computer software	152,150	-	177,654	-
Total intangible assets	2,137,457	-	2,162,961	-
DEFERRED TAX ASSETS (Notes 4 and 43)	698,921	-	791,550	-
OTHER ASSETS, NET (Notes 4, 23, 32, 45 and 47)	8,970,842	1	8,060,448	1
TOTAL	$ 695,161,187	100	$ 647,586,094	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 24)	$ 11,860,732	2	$ 12,111,895	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	650,981	-	307,799	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Note 25)	65,377,436	9	44,334,388	7
PAYABLES (Note 26)	4,615,289	1	7,013,422	1
CURRENT TAX LIABILITIES	369,729	-	41,221	-
DEPOSITS AND REMITTANCES (Notes 27 and 45)	532,899,100	77	513,918,075	79
BANK DEBENTURES (Note 28)	10,200,000	1	9,700,000	2
BONDS PAYABLE (Notes 21 and 29)	1,473,858	-	1,480,976	-
OTHER FINANCIAL LIABILITIES (Note 30)	4,887,786	1	4,089,464	1
PROVISIONS (Notes 4, 5, 31 and 32)	258,535	-	262,482	-
LEASE LIABILITIES (Notes 3, 4, 20 and 45)	1,415,180	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 43)	1,617,201	-	1,269,570	-
OTHER LIABILITIES (Notes 33 and 47)	3,285,481	1	2,998,047	-
Total liabilities	638,911,308	92	597,527,339	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital				
Ordinary shares	28,844,553	4	26,900,129	4
Preference shares	2,000,000	-	2,000,000	1
Total share capital	30,844,553	4	28,900,129	5
Capital surplus	8,035,484	1	8,032,413	1
Retained earnings				
Legal reserve	6,875,793	1	5,988,776	1
Special reserve	627,440	-	612,656	-
Unappropriated earnings	5,180,139	1	4,619,232	1
Total retained earnings	12,683,372	2	11,220,664	2
Other equity	4,684,892	1	1,659,823	-
Total equity attributable to owners of the Bank	56,248,301	8	49,813,029	8
NON-CONTROLLING INTERESTS	1,578	-	245,726	-
Total equity	56,249,879	8	50,058,755	8
TOTAL	$ 695,161,187	100	$ 647,586,094	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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST (Notes 4, 35 and 45)					
Interest revenues	$ 12,003,109	87	$ 10,987,708	86	9
Interest expenses	5,525,647	40	4,285,920	33	29
Net interest	6,477,462	47	6,701,788	53	(3)
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net (Notes 4, 36 and 45)	2,716,846	19	2,422,852	19	12
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 37)	1,485,872	11	223,068	2	566
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 38)	346,202	2	443,699	3	(22)
Share of loss of associates (Notes 4 and 17)	(35,980)	-	(9,636)	-	273
Foreign exchange gain, net (Note 4)	369,470	3	464,241	4	(20)
Loss from assets impairment (Notes 4 and 39)	(42,921)	-	(33,589)	-	28
Securities brokerage fee revenues, net (Note 4)	235,895	2	208,334	1	13
Rental revenue (Note 4)	2,236,624	16	2,254,083	18	(1)
Other noninterest gain, net	76,712	-	57,481	-	33
TOTAL NET REVENUES	13,866,182	100	12,732,321	100	9
PROVISIONS (Notes 4, 5, 13, 14, 15 and 31)					
Provision of allowance for doubtful accounts and provision for losses on commitments and guarantees	240,675	2	293,579	2	(18)
OPERATING EXPENSES					
Employee benefit expenses (Notes 32 and 40)	3,831,242	27	3,531,027	28	9
Depreciation and amortization (Notes 4 and 41)	2,483,882	18	1,987,560	16	25
Others (Notes 42 and 45)	3,282,927	24	3,443,571	27	(5)
Total operating expenses	9,598,051	69	8,962,158	71	7

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INCOME BEFORE INCOME TAX	$ 4,027,456	29	$ 3,476,584	27	16
INCOME TAX EXPENSE (Notes 4 and 43)	655,978	4	521,583	4	26
CONSOLIDATED NET INCOME	3,371,478	25	2,955,001	23	14
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	174,293	1	(13,977)	-	1,347
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	2,247,353	16	412,817	3	444
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 43)	(335,033)	(2)	(197,735)	(1)	69
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations	(238,885)	(2)	405,845	3	(159)
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	1,604,564	12	(965,975)	(8)	266
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 43)	47,777	-	(53,925)	-	189
Other comprehensive income (loss) for the year, net of income tax	3,500,069	25	(412,950)	(3)	948
TOTAL COMPREHENSIVE INCOME	$ 6,871,547	50	$ 2,542,051	20	170

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,359,457	24	$ 2,956,724	23	14
Non-controlling interests	12,021	-	(1,723)	-	798
	$ 3,371,478	24	$ 2,955,001	23	14
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 6,859,589	50	$ 2,544,240	20	170
Non-controlling interests	11,958	-	(2,189)	-	646
	$ 6,871,547	50	$ 2,542,051	20	170
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 44)					
Basic	$1.00		$1.00		
Diluted	$1.00		$0.99		

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable Owners of the Company														
	Share Capital (Notes 34 and 40)				Retained Earnings (Notes 4 and 34)				Other Equity (Notes 4 and 34)						
	Ordinary Shares	Preference Shares	Total	Capital Surplus (Note 32)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gains (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 26,051,524	$ 2,000,000	$ 28,051,524	$ 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
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	(31,391)	(31,391)	(2,345,701)	-	2,797,843	452,142	420,751	(1,255)	419,496
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,472,604	10,223,090	-	(765,444)	2,797,843	2,032,399	48,339,426	266,635	48,606,061
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	-	823,496	-	(823,496)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	27,450	(27,450)	-	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	-	(1,042,061)	-	(1,042,061)
Stock dividends on common shares	781,546	-	781,546	-	-	-	(781,546)	(781,546)	-	-	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(90,740)	(90,740)	-	-	-	-	(90,740)	-	(90,740)
Net income for the year ended December 31, 2018	-	-	-	-	-	-	2,956,724	2,956,724	-	-	-	-	2,956,724	(1,723)	2,955,001
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	(4,302)	(4,302)	-	351,920	(760,102)	(408,182)	(412,484)	(466)	(412,950)
Share-based payment	67,059	-	67,059	-	-	-	(4,895)	(4,895)	-	-	-	-	62,164	-	62,164
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,720)	(18,720)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(35,606)	(35,606)	-	-	35,606	35,606	-	-	-
BALANCE AT DECEMBER 31, 2018	26,900,129	2,000,000	28,900,129	8,032,413	5,988,776	612,656	4,619,232	11,220,664	-	(413,524)	2,073,347	1,659,823	49,813,029	245,726	50,058,755
Appropriation of the 2018 earnings															
Legal reserve	-	-	-	-	887,017	-	(887,017)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	14,784	(14,784)	-	-	-	-	-	-	-	-
Stock dividends on common shares	1,883,009	-	1,883,009	-	-	-	(1,883,009)	(1,883,009)	-	-	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(480,000)	(480,000)	-	-	-	-	(480,000)	-	(480,000)
Net income for the year ended December 31, 2019	-	-	-	-	-	-	3,359,457	3,359,457	-	-	-	-	3,359,457	12,021	3,371,478
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	139,435	139,435	-	(191,108)	3,551,805	3,360,697	3,500,132	(63)	3,500,069
Acquisition of interest in subsidiary	-	-	-	-	-	-	(6,698)	(6,698)	-	-	(2,105)	(2,105)	(8,803)	(256,106)	(264,909)
Share-based payment	61,415	-	61,415	3,071	-	-	-	-	-	-	-	-	64,486	-	64,486
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	333,523	333,523	-	-	(333,523)	(333,523)	-	-	-
BALANCE AT DECEMBER 31, 2019	$ 28,844,553	$ 2,000,000	$ 30,844,553	$ 8,035,484	$ 6,875,793	$ 627,440	$ 5,180,139	$ 12,683,372	$ -	$ (604,632)	$ 5,289,524	$ 4,684,892	$ 56,248,301	$ 1,578	$ 56,249,879

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,027,456	$ 3,476,584
Adjustments for:		
Depreciation expenses	2,395,478	1,917,557
Amortization expenses	88,404	70,003
Expected credit losses/Provision of allowance for doubtful accounts	240,675	293,579
Gain on disposal of financial assets at fair value through profit or loss	(1,485,872)	(223,068)
Interest expenses	5,525,647	4,285,920
Interest revenues	(12,003,109)	(10,987,708)
Dividend income	(321,880)	(443,146)
Share of loss of associates	35,980	9,636
Gain on disposal of properties and equipment	(18,089)	(18,436)
Impairment loss recognized on financial assets	63,106	39,935
Reversal of impairment losses on nonfinancial assets	(20,185)	(6,346)
(Gain)/loss on disposal of collaterals	(43,640)	2,658
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	6,069,171	(4,081,105)
Financial assets at fair value through profit or loss	8,491,975	(23,154,778)
Financial assets at fair value through other comprehensive income	(4,009,203)	2,675,488
Investments in debt instruments at amortized cost	(10,706,007)	2,634,924
Receivables	(3,061,438)	(482,042)
Discounts and loans	(59,871,253)	(8,524,972)
Other financial assets	(522,300)	(348,257)
Due to the Central Bank and other banks	(251,163)	2,862,710
Financial liabilities at fair value through profit or loss	(906,274)	(844,862)
Securities sold under repurchase agreements	21,043,048	14,060,412
Payables	(2,393,463)	(138,654)
Deposits	18,981,025	64,868,605
Other financial liabilities	(11,714)	(9,895)
Provisions for employee benefits	154,596	(1,820)
Other liabilities	1,800	(499)
Cash generated from (used in) operations	(28,507,229)	47,932,423
Interest received	11,865,208	10,929,641
Dividends received	357,904	470,766
Interest paid	(5,465,831)	(4,180,504)
Income tax paid	(152,161)	(125,545)
Net cash generated from (used in) operating activities	(21,902,109)	55,026,781

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associates	$ -	$ (1,579,977)
Payments for properties and equipment	(298,983)	(235,783)
Proceeds from disposal of properties and equipment	48	1,092
Payments for investment properties	(30,174)	(30,571)
Increase in settlement fund	-	(1,957)
Decrease in settlement fund	448	-
Increase in refundable deposits	(456,918)	(381,659)
Payments for intangible assets	(46,425)	(52,532)
Proceeds from disposal of collaterals	63,825	3,688
Payments for right-of-use assets	(974)	-
Increase in other assets	(2,050,024)	(1,647,545)
Net cash used in investing activities	(2,819,177)	(3,925,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper	810,036	-
Decrease in commercial paper	-	(192,082)
Proceeds from issue of bank debentures	2,000,000	-
Repayments of bank debentures	(1,500,000)	(2,000,000)
Proceeds from guarantee deposits received	23,990	-
Refunds of guarantee deposits received	-	(49,554)
Repayment of the principal portion of lease liabilities	(436,833)	-
Increase in other liabilities	261,228	62,668
Changes in non-controlling interests	(264,909)	(18,720)
Dividends paid	(480,000)	(1,132,801)
Net cash generated from (used in) financing activities	413,512	(3,330,489)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(236,029)	354,486
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,543,803)	48,125,534
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	88,821,151	40,695,617
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 64,277,348	$ 88,821,151

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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, 2019 and 2018:

	December 31	
	2019	**2018**
Cash and cash equivalents in the consolidated balance sheets	$ 12,382,445	$ 14,014,731
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"	477,078	6,325,655
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	51,417,825	68,480,765
Cash and cash equivalents in consolidated statements of cash flows	$ 64,277,348	$ 88,821,151

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

1. GENERAL INFORMATION

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

The Bank is mainly engaged in activities allowed under the Banking Law, which include 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 Union Bills Finance Corporation (UBF) on August 16, 2010, with the Bank as the surviving entity.

On August 26, 2015, the board of directors of the Bank resolved to merge UIB in order to integrate the resources, strengthen management and business synergy. The merger was approved by the Financial Supervisory Commission (FSC) under Rule No. 10502022990. The effective date of this merger was August 1, 2016.

To integrate resources and enhance operating effectiveness, The Bank requested to purchase Union Securities Investment Trust Corporation's equity, which was approved by the board of directors on May 9, 2018. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802037180 on March 27, 2019. The Bank acquired 64.44% and 0.16% equity interest of Union Securities Investment Trust Corporation on July 5, 2019 and December 27, 2019, respectively. After the transaction was completed, the percentage of total equity interest increased from 35% to 99.60%.

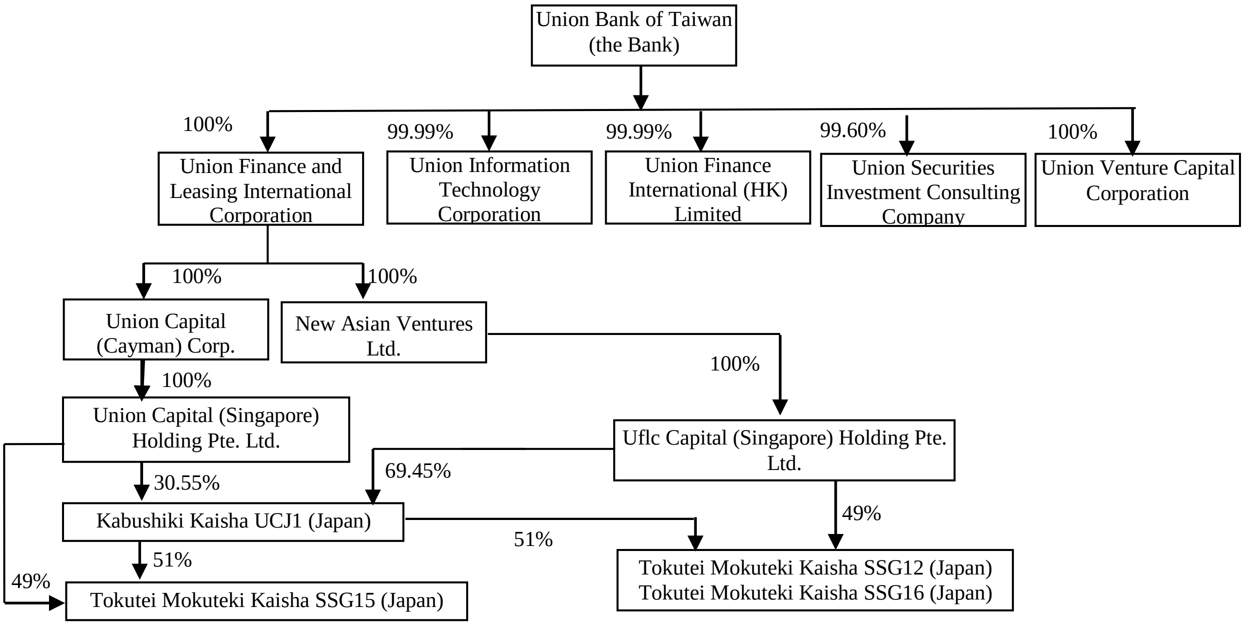
In order to actively support the FSC's needs to adapt to the nation's overall industry development and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, Union Bank of Taiwan established Union Venture Capital in coordination with the nation's financial policies, which was approved by the board of directors on September 26, 2018. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802042270. Union Venture Capital had been established by the Bank on November 21, 2019. The total investment amount was $300,000 thousand, and the Bank held 100% of Union Venture Capital's shares.

As of December 31, 2019, the Bank's operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, Insurance Agency Department, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 90 domestic branches (including the 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 referred to as the "Company") and percentage of ownership as of December 31, 2018:



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 held 100% equity interest 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 in 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, 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 beneficiary certificates.

The Union Venture Capital Corporation was established on November 21, 2019. It is engaged in the general business investment.

The Company's consolidated financial statements are presented in the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors and authorized for issue on March 11, 2020.

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

a. Initial application of the 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) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies:

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

<u>The Company as lessee</u>

The Company recognizes right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The lessee's weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was ranging from 0.88% to 1.70%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 1,503,705
Less: Recognition exemption for short-term leases	(222,539)
Undiscounted amounts on January 1, 2019	$ 1,281,166
Lease liabilities recognized on January 1, 2019	$ 1,251,793

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 1,281,427	$ 1,281,427
Other assets	29,634	(29,634)	-
Total effect on assets	$ 29,634	$ 1,251,793	$ 1,281,427
Lease liabilities	$ -	$ 1,251,793	$ 1,251,793
Total effect on liabilities	$ -	$ 1,251,793	$ 1,251,793

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Company would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

  The amendments stipulate that, when the Company 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 the Company 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 the Company 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 Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

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 and issued into effect 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 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.

   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, refer to the Note 16.

Foreign Currencies

In preparing the financial statements of each group entity, transactions in currencies other than the Company'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.

Non-monetary 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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments Accounted for Using the Equity Method

The Company uses the equity method to account for its investments in associates.

a. 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. The Company uses the equity method to account for its investments in associates.

   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 the equity of associates attributable to the Company.

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

   When the Company subscribes for additional new shares of an associate at a percentage different from its existing 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 such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the 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 had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using 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 using 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 obligations, or constructive obligations, or made payments on behalf of that associate.

   The entire carrying amount of an 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 its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. 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. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company' consolidated financial statements only to the extent that interests in the associate are not related to the Company.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 49.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, lease receivables, as well as contract assets.

For financial instruments and contract assets, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In determining the allowance for credit losses and the reserve for losses on guarantees, the Company 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 Company evaluates credit balances on the basis of their estimated collectability.

The MOF regulations also require the grouping of credit assets into these five classes: Normal, special mention, substandard, doubtful and losses; the minimum loan loss provision and guarantee reserve for the unsound credit assets (those other than normal) should be 2%, 10%, 50% and 100%, respectively, of the outstanding credit balance.

The MOF issued a guideline stating that from January 1, 2014, the minimum loan loss provision and guarantee should be the sum of 1% of the outstanding balance of the normal credit asset's claim, 2% of the balance of special mention credit assets, 10% of the balance of substandard credit assets, 50% of the balance of doubtful credit assets, and the full balance of losses credit assets (excluding assets that represent claims against the central and local government in Taiwan). Also, in accordance with Rule No. 10300329440 issued by FSC, the minimum allowance for mortgage loans should be 1.5%.

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.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

3) 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.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by a group 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.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

A financial liability may be designated as at FVTPL 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 that would otherwise arise; or

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance 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; or

c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and 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 dividends paid on such 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 liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 49.

Financial guarantee contracts

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

a) The amount of the loss allowance reflecting expected credit losses; and

b) The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

d. Derivative financial instruments

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

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.

Repurchase and Resale Transactions

Securities purchased under resale agreements and securities sold under repurchase agreements 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.

Freehold land is not depreciated.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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, any 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.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset 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 arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets acquired separately

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. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Derecognition

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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 (Excluding Goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any 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. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding 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 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.

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At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Company as lessor

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

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

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a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. 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.

Lease incentives included in an 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.

Lease incentives are recognized as income in the period in which they are incurred.

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 liabilities (assets) represent 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 15% 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 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 taxes 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 Company that are classified as nonperforming loans. The interest revenue on these loans/credits is recognized upon collection. Under the regulations of the Ministry of Finance, the interest revenue on credits covered by agreements that extend their repayment periods is recorded as deferred revenue and recognized as revenue upon collection.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

Dividend income from investments is recognized when the stockholder’s right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Bank and that the amount of income can be measured reliably.

The points earned by customers under loyalty program are treated as multiple-element arrangements, in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer. The consideration is not recognized in earnings at the original sales transactions but at the time when the points are redeemed and the Bank’s obligation is fulfilled.

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.

Estimated Impairment of Financial Assets

The provision for impairment of loan, receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 50. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 6,865,686	$ 5,138,540
Checks for clearing	1,076,011	3,926,902
Due from banks	4,440,748	4,949,289
	$ 12,382,445	$ 14,014,731

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	December 31	
	2019	2018
Deposit reserve - checking account	$ 2,968,938	$ 10,140,387
Required deposit reserve	13,808,552	12,719,759
Deposit reserve - foreign-currency deposits	90,318	76,833
Call loans to banks	477,078	6,325,655
	$ 17,344,886	$ 29,262,634

Under a directive issued by the Central Bank of the ROC, the Company determines monthly NTD-denominated reserve deposits at prescribed rates based on the average balances of customers' NTD-denominated deposits, which are subject to withdrawal restrictions.

In addition, the foreign-currency reserve deposits are determined at rates prescribed for balances of foreign-currency deposits. These reserves may be withdrawn anytime and do not bear interest.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets designated as at fair value through profit or loss		
Commercial paper	$ 29,670,103	$ 31,510,394
Overseas corporate bonds	27,712	27,247
Domestic listed stocks	-	578,929
Overseas listed stocks	66,800	92,667
Beneficiary certificates	755,530	2,555,622
Principal guaranteed notes	-	1,368,547
Futures exchange margins	61,302	-
Asset-backed securities	67,361	60,415
	30,648,808	36,193,821
Derivative financial instrument		
Foreign exchange forward contracts	42,044	406,099
Currency swap contracts	199,417	71,817
Option contracts	26,985	36,521
Cross-currency swap contracts	-	1,667
	268,446	516,104
	$ 30,917,254	$ 36,709,925
Financial liabilities held for trading		
Derivative instrument		
Option contracts	$ 26,976	$ 36,522
Forward exchange contracts	27,623	43,633
Cross-currency swap contracts	17,705	-
Currency swap contracts	578,677	227,644
	$ 650,981	$ 307,799

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, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Currency swap contracts	$ 67,054,536	$ 52,891,211
Foreign exchange forward contracts	3,223,477	4,995,891
Cross-currency swap contracts	3,638,415	463,125
Option contracts		
Buy	1,178,033	899,831
Sell	1,178,033	899,831

As of December 31, 2019 and 2018, financial assets at fair value through profit and loss in the amounts of $13,458,214 thousand and $12,453,108 thousand, respectively, were sold under repurchase agreements.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic listed shares	$ 1,529,323	$ 3,617,817
Overseas listed shares	5,312,590	3,811,961
Domestic unlisted shares	1,157,095	1,134,574
Overseas REITs	-	129,905
	7,999,008	8,694,257
Investments in debt instruments at FVTOCI		
Overseas corporate bonds	9,801,611	9,019,959
Overseas bond debentures	5,394,699	5,091,463
Corporate bonds	6,736,723	4,190,917
Overseas government bonds	5,772,116	5,897,016
Government bonds	5,532,808	499,895
	33,237,957	24,699,250
	$ 41,236,965	$ 33,393,507

Details of the Company's investments in foreign and domestic unlisted shares are as follows:

	December 31	
	2019	2018
Taiwan Futures Exchange	$ 439,293	$ 424,908
Financial Information Service Co., Ltd.	294,550	267,269
iPass Corporation	84,205	94,313
Taiwan Asset Management Corporation	77,077	74,748
Grace THW Holding Limited	55,281	69,007
Taiwan Depository & Clearing Corporation	59,862	56,680
Taiwan Financial Asset Service Corporation	48,244	47,788
Others	98,583	99,861
	$ 1,157,095	$ 1,134,574

a. Investments in equity instruments at FVTOCI

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

b. Investments in debt instruments at FVTOCI

For further information regarding credit risk management and impairment assessment of financial assets at FVTOCI, refer to Note 11.

The Company had sold $19,671,156 thousand and $12,865,389 thousand of its financial assets at FVTOCI under a repurchase agreement on December 31, 2019 and 2018, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2019	2018
Negotiable certificates of deposit	$ 42,960,000	$ 42,200,000
Debt instruments		
Government bonds	11,173,137	9,828,243
Overseas asset-backed securities	50,037,012	42,121,629
	61,210,149	51,949,872
	$ 104,170,149	$ 94,149,872

For further information regarding credit risk management and impairment assessment on financial assets at amortized cost, refer to Note 11.

The Company had sold $44,134,600 thousand and $28,655,857 thousand of financial assets at amortized cost under repurchase agreements on December 31, 2019 and 2018, respectively.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Debt instruments that the Company invested in have been further split into two categories, financial assets at FVTOCI and financial assets at amortized cost.

	December 31, 2019		
	Financial Assets at FVTOCI	Financial Assets at Amortized Cost	Total
Book value	$ 32,635,267	$ 61,513,617	$ 94,148,884
Loss allowance	(81,219)	(303,468)	(384,687)
Fair value adjustment	683,909	-	683,909
	$ 33,237,957	$ 61,210,149	$ 94,448,106

	December 31, 2018		
	Financial Assets at FVTOCI	Financial Assets at Amortized Cost	Total
Book value	$ 25,665,800	$ 52,215,774	$ 77,881,574
Loss allowance	(63,557)	(265,902)	(329,459)
Fair value adjustment	(902,993)	-	(902,993)
	$ 24,699,250	$ 51,949,872	$ 76,649,122

The Company continuously monitors the external credit rating information and price movements of the debt instruments invested in to assess whether their credit risks have significantly increased since initial recognition.

The Company takes into consideration the multi-period default probability table for each ratings of securities issued by credit rating agencies and the recovery rates of different types of bonds to assess the 12-month expected credit losses or lifetime expected credit losses.

The carrying values of financial assets at FVTOCI and at amortized cost sorted by credit rating are as follows:

Credit Ratings	Definition	ECL Recognition Basis	Expected Credit Loss Rate	Carrying Value (Including Premiums and Discounts) on December 31, 2019
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-4.2026%	$ 94,448,106
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses	Note	-
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses	100%	-

Credit Ratings	Definition	ECL Recognition Basis	Expected Credit Loss Rate	Carrying Value (Including Premiums and Discounts) on December 31, 2018
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-2.261%	$ 76,338,664
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses	4.208%	310,458
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses	100%	-

Note: Credit rating of investment in debt instruments at December 31, 2019 was normal, it did not apply.

The following table shows changes in balances of loss allowances of financial assets at FVTOCI and debt instruments at amortized cost, sorted by credit risk ratings resulting from the application of IFRS 9:

	Credit Risk Ratings		
	Low Credit Risk	Significant Increase in Credit Risk (Lifetime Expected Credit Losses with No Credit Impairment)	Default Evidence of Impairment (Lifetime Expected Credit Losses with Credit Impairment)
Balance as of January 1, 2019 (IFRS 9)	$ 316,146	$ 13,313	$ -
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	-	-
Significant increase in credit risk to low credit risk	13,313	(13,313)	-
Significant increase in credit risk to default	-	-	-
New debt instruments purchased	2,746	-	-
Derecognition	(567)	-	-
Changes in risk or model parameters	60,927	-	-
Change in exchange rates	(7,878)	-	-
Loss allowance on December 31, 2019	$ 384,687	$ -	$ -
Balance as of January 1, 2018 (IAS 39)	$ 258,245	$ -	$ -
Retrospective application effect of IFRS 9	22,780	-	-
Balance as of January 1, 2018 (IFRS 9)	281,025	-	-
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	13,313	-
Significant increase in credit risk to default	-	-	-
New debt instruments purchased	1,294	-	-
Derecognition	(701)	-	-
Changes in risk or model parameters	26,029	-	-
Change in exchange rates	8,499	-	-
Loss allowance on December 31, 2018	$ 316,146	$ 13,313	$ -

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2019	2018
Commercial paper	$ 24,223,631	$ 30,533,909
Corporate bonds	23,023,883	32,933,199
Government bonds	-	1,000,010
Bank debentures	-	13,400
Negotiable certificates of deposit	4,170,311	4,000,247
	$ 51,417,825	$ 68,480,765
Maturity date	2020.01-2020.02	2019.01-2019.02
Resale price	$ 51,433,006	$ 69,504,991

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

13. RECEIVABLES, NET

	December 31	
	2019	2018
Notes and accounts receivable	$ 17,512,470	$ 15,502,406
Interest receivable	1,050,794	910,676
Interbank clearing fund receivable	1,200,345	800,244
Accounts receivable factoring without recourse	443,208	183,566
Investment receivable	545,843	293,640
Acceptances receivable	112,902	188,102
Collections receivable	231,540	138,044
Others	286,943	384,950
	21,384,045	18,401,628
Less: Allowance for doubtful accounts	206,938	270,146
	$ 21,177,107	$ 18,131,482

Refer to Note 50 for the impairment loss analysis of receivables.

The changes in gross carrying amounts of receivables for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 17,048,513	$ 99,394	$ 1,253,721	$ 18,401,628
Receivables assessed collectively	(249,467)	49,556	199,911	-
Receivables purchased or originated	9,214,594	49,909	107,104	9,371,607
Write-offs	(78,568)	(28,758)	(176,084)	(283,410)
Derecognition	(5,776,840)	(54,501)	(274,439)	(6,105,780)
Balance at December 31, 2019	$ 20,158,232	$ 115,600	$ 1,110,213	$ 21,384,045
Balance at January 1, 2018	$ 16,535,714	$ 89,565	$ 1,314,440	$ 17,939,719
Receivables assessed collectively	(249,705)	48,322	201,383	-
Receivables purchased or originated	7,245,214	40,042	110,348	7,395,604
Write-offs	(86,762)	(27,400)	(104,271)	(218,433)
Derecognition	(6,395,948)	(51,135)	(268,179)	(6,715,262)
Balance at December 31, 2018	$ 17,048,513	$ 99,394	$ 1,253,721	$ 18,401,628

The Company has accrued an allowance for doubtful accounts on receivables, the change in allowance for doubtful accounts on receivables for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	$ 23,703	$ 17,977	$ 157,800	$ 199,480	$ 70,666	$ 270,146
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(225)	329	(104)	-	-	-
Credit-impaired financial assets	(539)	(4,448)	4,987	-	-	-
12-month ECL	453	(334)	(119)	-	-	-
Derecognition of financial assets in the current reporting period	(6,919)	(5,267)	(12,950)	(25,136)	-	(25,136)
New financial assets purchased or originated	112,680	39,003	119,258	270,941	-	270,941
Difference of impairment loss under regulations	-	-	-	-	(26,027)	(26,027)

(Continued)

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Write-offs	$ (78,568)	$ (28,758)	$ (176,084)	$ (283,410)	$ -	$ (283,410)
Recovery of written-off receivables	-	-	230,839	230,839	-	230,839
Change in others	(55)	176	(230,440)	(230,319)	-	(230,319)
Change in exchange rate	(96)	-	-	(96)	-	(96)
Balance at December 31, 2019	$ 50,434	$ 18,678	$ 93,187	$ 162,299	$ 44,639	$ 206,938
Balance at January 1, 2018	$ 45,116	$ 1,792	$ 150,236	$ 197,144	$ 7,892	$ 205,036
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(429)	496	(67)	-	-	-
Credit-impaired financial assets	(1,092)	(504)	1,596	-	-	-
12-month ECL	122	(107)	(15)	-	-	-
Derecognition of financial assets in the current reporting period	(29,017)	(371)	(5,400)	(34,788)	-	(34,788)
New financial assets purchased or originated	95,779	43,907	115,267	254,953	-	254,953
Difference of impairment loss under regulations	-	-	-	-	62,774	62,774
Write-offs	(86,762)	(27,400)	(104,271)	(218,433)	-	(218,433)
Recovery of written-off receivables	-	-	269,494	269,494	-	269,494
Change in others	(14)	164	(269,040)	(268,890)	-	(268,890)
Balance at December 31, 2018	$ 23,703	$ 17,977	$ 157,800	$ 199,480	$ 70,666	$ 270,146

(Concluded)

14. DISCOUNTS AND LOANS, NET

		December 31 2019	December 31 2018
Discounts and overdraft		$ 27,537	$ 32,467
Accounts receivable - financing		19,570	12,147
Loans			
Short-term	- unsecured	50,364,941	30,569,537
	- secured	72,321,679	65,977,057
Medium-term	- unsecured	30,733,615	23,347,445
	- secured	69,154,200	60,020,806
Long-term	- unsecured	7,877,847	6,440,964
	- secured	157,821,517	142,169,489
Import and export negotiations		271,447	84,667
Overdue loans		356,275	213,760
		388,948,628	328,868,339
Less: Allowance for doubtful accounts		4,298,955	3,852,653
		$ 384,649,673	$ 325,015,686

As of December 31, 2019 and 2018, the balances of nonaccrual loans were $356,275 thousand and $213,760 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $9,095 thousand in 2019 and $6,529 thousand in 2018.

In 2019 and 2018, the Company wrote off certain credits after completing the required legal procedures.

The Company had set up an allowance for doubtful accounts on discounts and loans. Refer to Note 50 for impairment loss analysis of discounts and loans.

The changes in gross carrying amounts on receivables for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 325,297,553	$ 1,798,887	$ 1,771,899	$ 328,868,339
Discount and loans assessed collectively	(748,108)	301,219	446,889	-
Discount and loans purchased or originated	224,866,163	747,886	202,097	225,816,146
Write-offs	-	-	(81,255)	(81,255)
Derecognition	(164,011,919)	(832,413)	(810,270)	(165,654,602)
Balance at December 31, 2019	$ 385,403,689	$ 2,015,580	$ 1,529,359	$ 388,948,628
Balance at January 1, 2018	$ 316,319,157	$ 2,120,891	$ 1,690,759	$ 320,130,807
Discount and loans assessed collectively	(421,079)	(28,093)	449,172	-
Discount and loans purchased or originated	184,285,515	624,030	690,586	185,600,131
Write-offs	-	-	(78,905)	(78,905)
Derecognition	(174,886,040)	(917,941)	(979,713)	(176,783,694)
Balance at December 31, 2018	$ 325,297,553	$ 1,798,887	$ 1,771,899	$ 328,868,339

The Company has accrued an allowance for doubtful accounts on discount and loans, the changes in allowance for doubtful accounts on discount and loans for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	$ 170,493	$ 162,436	$ 284,614	$ 617,543	$ 3,235,110	$ 3,852,653
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to					-	-
Lifetime ECL	(245)	2,983	(2,738)	-	-	-
Credit-impaired financial assets	(223)	(17,140)	17,363	-	-	-
12-month ECL	18,486	(13,622)	(4,864)	-	-	-
Derecognition of financial assets in the current reporting period	(125,299)	(87,556)	(13,245)	(226,100)	-	(226,100)
New financial assets purchased or originated	196,926	76,698	86,993	360,617	-	360,617
Difference of impairment loss under regulations	-	-	-	-	275,469	275,469
Write-offs	-	-	(81,255)	(81,255)	-	(81,255)
Recovery of written-off receivables	-	-	291,920	291,920	-	291,920
Change in others	(18,434)	51,805	(206,141)	(172,770)	-	(172,770)
Change in exchange rate	(1,579)	-	-	(1,579)	-	(1,579)
Balance at December 31, 2019	$ 240,125	$ 175,604	$ 372,647	$ 788,376	$ 3,510,579	$ 4,298,955
Balance at January 1, 2018	$ 500,131	$ 8,392	$ 245,124	$ 753,647	$ 2,648,171	$ 3,401,818
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to					-	-
Lifetime ECL	(570)	1,582	(1,012)	-	-	-
Credit-impaired financial assets	(342)	(1,549)	1,891	-	-	-
12-month ECL	3,090	(3,090)	-	-	-	-
Derecognition of financial assets in the current reporting period	(461,939)	(1,894)	(19,599)	(483,432)	-	(483,432)
New financial assets purchased or originated	131,929	75,518	41,350	248,797	-	248,797
Difference of impairment loss under regulations	-	-	-	-	586,939	586,939
Write-offs	-	-	(78,905)	(78,905)	-	(78,905)
Recovery of written-off receivables	-	-	289,320	289,320	-	289,320
Change in others	(2,850)	83,477	(194,606)	(113,979)	-	(113,979)
Change in exchange rate	1,044	-	1,051	2,095	-	2,095
Balance at December 31, 2018	$ 170,493	$ 162,436	$ 284,614	$ 617,543	$ 3,235,110	$ 3,852,653

15. BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES

	For the Year Ended December 31	
	2019	2018
Provision for doubtful accounts on receivables	$ (10,541)	$ 14,049
Provision for doubtful accounts on discounts and loans	237,216	238,325
Provision for doubtful accounts on guarantees	5,000	26,367
Provision for doubtful accounts on loan commitments	9,000	14,838
	$ 240,675	$ 293,579

16. SUBSIDIARIES

The investees included in the consolidated financial statements are as follows:

Investor	Investee	Main Businesses	Percentage of Ownership December 31 2019	Percentage of Ownership December 31 2018	
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.	99.60	35.00	Note 1
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 2 and 4
	Uflc Capital (Singapore) Holding PTE. Ltd. (Uflc)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	Notes 2 and 4
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	30.55	30.55	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG15 (Japan) (SSG15)	A real estate securitized special purpose company.	49.00	49.00	Notes 3 and 4
Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	69.45	69.45	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	49.00	49.00	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	49.00	49.00	Notes 3 and 4
Kabushiki Kaisha UCJ1 (Japan)	Tokutei Mokuteki Kaisha SSG15 Japan) (SSG15)	A real estate securitized special purpose company.	51.00	51.00	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	51.00	51.00	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	51.00	51.00	Notes 3 and 4

Note 1: As the Company had control over the financial, operational and human resources policies of USITC, this subsidiary was included in the consolidated financial statements.

To integrate resources and enhance operating effectiveness, the board of director had approved to purchase 65% equity interest of Union Securities Investment Trust Corporation at $13.67 per share. The highest price paid was estimated at $266,565 thousand. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802037180. The Bank spent a total of $264,909 thousand to purchase 64.60% equity interest of Union Securities Investment Trust Corporation in July and December 2019, respectively. After the transaction was completed, the shareholding ratio was 99.60%. For the disclosure related to purchase of Union Securities Investment Trust Corporation, refer to Note 53 to the consolidated financial statements for equity transactions with non-controlling interests of Union Bank of Taiwan for the years ended December 31, 2019 and 2018.

Note 2: Union and Uflc were established in September 2014 and March 2016 by Cayman. The capital was both US$1.

Note 3: KK, SSG15, SSG12 and SSG16 were established by Union and Uflc in Japan to acquire investment properties for securitization.

Note 4: The financial year-end date of Union, Uflc, KK, SSG15, SSG12 and SSG16 apply equity accounting are not December 31. The Company recognize balance statement on September 30, 2017 for consolidated financial statements. Appropriate adjustments have been made accordingly for the effects of significant transactions made between the subsidiaries' year-end dates and December 31, 2018.

Note 5: In order to actively support the FSC's needs to adapt to the nation's overall industry development and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, Union Bank of Taiwan established Union Venture Capital in coordination with the nation's financial policies, which was approved by the board of directors on September 26, 2018. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802042270. Union Venture Capital had been established by the Bank on November 21, 2019. The total investment amount was $300,000 thousand, and the Bank held 100% of Union Venture Capital's shares.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31	
	2019	**2018**
Not individually material		
Line BIZ+ Taiwan Limited	$ 1,534,969	$ 1,570,630
Union Real-Estate Management Corporation	52,513	52,832
	$ 1,587,482	$ 1,623,462

The summarized financial information in respect of the Company's associate is set out below:

	For the Year Ended December 31	
	2019	**2018**
Net loss	$ (35,980)	$ (9,636)

To promote innovative financial technology services and popularize mobile payment endorsed by the government, the board of directors of the Bank approved the investment in Line BIZ+ Taiwan Limited on July 25, 2018 and later acquired 5,451 thousand of their ordinary shares with a price of $1,579,977 thousand on September 21, 2018 resulting in a 10% shareholding and a seat on the board. The Company has significant influence over Line BIZ+ Taiwan Limited and thus uses the equity method to account for the investment.

The Bank's share of profit and other comprehensive income recognized from investments in associates other than Line BIZ+ Taiwan Limited during the fiscal years 2019 and 2018 were based on financial statements audited by their respective auditors for the same reporting periods as those of the Bank.

Management of the Company considers the fact that numbers quoted from the non-audited financial statements of Line BIZ+ Taiwan Limited will not lead to material misstatements on the Company's consolidated financial statements.

18. OTHER FINANCIAL ASSETS, NET

	December 31	
	2019	2018
Pledged assets (Note 46)	$ 1,514,930	$ 714,456
Due from banks - certificate of deposit	2,114,433	1,060,360
Call loans to securities	-	522,461
Others	3,285	4,371
	$ 3,632,648	$ 2,301,648

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

19. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2019	$ 3,845,398	$ 5,175,756	$ 1,396,588	$ 309,762	$ 401,012	$ 73,811	$ 11,202,327
Additions	-	18,589	62,136	11,020	30,851	176,387	298,983
Disposals	-	-	(46,003)	(6,041)	(1,864)	-	(53,908)
Reclassification	-	985	17,744	1,676	5,460	(42,340)	(16,475)
Effect of foreign currency exchange differences	-	-	(13)	-	6	-	(7)
Balance at December 31, 2019	3,845,398	5,195,330	1,430,452	316,417	435,465	207,858	11,430,920
Accumulated depreciation							
Balance at January 1, 2019	-	1,658,056	1,074,655	261,941	200,180	-	3,194,832
Depreciation	-	128,963	117,877	15,266	55,152	-	317,258
Disposals	-	-	(43,913)	(5,894)	(578)	-	(50,385)
Effect of foreign currency exchange differences	-	-	(93)	-	6	-	(87)
Balance at December 31, 2019	-	1,787,019	1,148,526	271,313	254,760	-	3,461,618
Balance at December 31, 2019, net	$ 3,845,398	$ 3,408,311	$ 281,926	$ 45,104	$ 180,705	$ 207,858	$ 7,969,302

(Continued)

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2018	$ 3,845,623	$ 5,154,708	$ 1,369,053	$ 297,163	$ 332,825	$ 53,781	$ 11,053,153
Additions	-	20,666	85,187	17,307	52,783	59,840	235,783
Disposals	(225)	-	(69,670)	(5,466)	(289)	-	(75,650)
Reclassification	-	382	12,018	758	15,663	(39,810)	(10,989)
Effect of foreign currency exchange differences	-	-	-	-	30	-	30
Balance at December 31, 2018	3,845,398	5,175,756	1,396,588	309,762	401,012	73,811	11,202,327
Accumulated depreciation							
Balance at January 1, 2018	-	1,532,529	1,034,083	254,011	150,801	-	2,971,424
Depreciation	-	125,527	107,695	13,022	49,349	-	295,593
Disposals	-	-	(67,123)	(5,092)	-	-	(72,215)
Effect of foreign currency exchange differences	-	-	-	-	30	-	30
Balance at December 31, 2018	-	1,658,056	1,074,655	261,941	200,180	-	3,194,832
Balance at December 31, 2018, net	$ 3,845,398	$ 3,517,700	$ 321,933	$ 47,821	$ 200,832	$ 73,811	$ 8,007,495

(Concluded)

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives 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 Company 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 amounted to an aggregate of $447,614 thousand. The building area increased due to the exercise of the TDR belonged to UFLIC.

On July 25, 2018, the board of directors of the Bank and UFLIC resolved to rescind the cooperation contract in Tucheng District, New Taipei City. To avoid additional time and cost on transfer development right and field investigation on the project, the Bank and UFLIC have agreed upon UFLIC to continue finishing the project while the Bank will engage third parties to construct on the land owned. The estimated cost amounting to $887,240 thousand, including the previous cost of purchasing land.

20. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land and buildings	$ 1,439,735

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 617,766
Depreciation charge for right-of-use assets	
Land and buildings	$ 442,886

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 1,415,180

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land and buildings	0.89%-1.72%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 203,796
Total cash outflow for leases	$ (640,629)

The Company leases certain assets which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 578,683
Later than 1 year and not later than 5 years	625,935
Later than 5 years	299,087
	$ 1,503,705

21. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
Cost			
Balance at January 1, 2019	$ 4,560,976	$ 1,028,934	$ 5,589,910
Additions	142	30,032	30,174
Net exchange difference	(9,345)	(3,829)	(13,174)
Balance at December 31, 2019	$ 4,551,773	$ 1,055,137	$ 5,606,910
Accumulated depreciation and impairment			
Balance at January 1, 2019	$ -	$ (191,002)	$ (191,002)
Depreciation	-	(47,304)	(47,304)
Net exchange differences	-	1,176	1,176
Balance at December 31, 2019	$ -	$ (237,130)	$ (237,130)
Balance at December 31, 2019, net	$ 4,551,773	$ 818,007	$ 5,369,780
Cost			
Balance at January 1, 2018	$ 4,467,272	$ 961,432	$ 5,428,704
Additions	-	30,571	30,571
Net exchange difference	93,704	36,931	130,635
Balance at December 31, 2018	$ 4,560,976	$ 1,028,934	$ 5,589,910
Accumulated depreciation and impairment			
Balance at January 1, 2018	$ -	$ (144,270)	$ (144,270)
Depreciation	-	(39,676)	(39,676)
Net exchange differences	-	(7,056)	(7,056)
Balance at December 31, 2018	$ -	$ (191,002)	$ (191,002)
Balance at December 31, 2018, net	$ 4,560,976	$ 837,932	$ 5,398,908

The Company acquired investment properties amounting to $986,055 thousand, $1,026,015 thousand and $668,984 thousand via SSG15, SSG12 and SSG16 in Japan on September 2014, February 2016 and April 2016, respectively. 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 over their estimated useful lives as follows:

Buildings	
Main buildings	15-50 years
Equipment installed in buildings	6-15 years

The fair values of investment properties were $6,601,085 thousand and $6,626,218 thousand as of December 31, 2019 and 2018, respectively. 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 prices of similar properties in the vicinity.

Refer to Note 29 for information relating to investment properties pledged as guarantee.

The investment properties were leased out for 3 to 20 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2019 and 2018, refundable deposits paid under operating leases were $75,546 thousand and $73,140 thousand (included in other assets - refundable deposits), respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31,2019 was as follows:

	December 31, 2019
Year 1	$ 167,646
Year 2	145,122
Year 3	100,951
Year 4	30,560
Year 5	30,481
Year 6 onwards	195,736
	$ 670,496

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 127,000
Later than 1 year and not later than 5 years	208,508
Later than 5 years	128,166
	$ 463,674

22. 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 was 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, 2019 and 2018, the balances of accumulated impairment were both $902,691 thousand.

23. OTHER ASSETS, NET

	December 31	
	2019	2018
Assets leased to others, net	$ 5,548,577	$ 5,425,985
Refundable deposits	2,548,280	2,091,810
Prepaid expenses	657,448	467,318
Prepaid pension (Note 32)	174,565	20,255
Others	41,972	55,080
	$ 8,970,842	$ 8,060,448

24. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2019	2018
Call loans from banks	$ 6,059,809	$ 6,222,054
Due to Chunghwa Post Co., Ltd.	5,599,730	5,599,730
Due to the Central Bank and other banks	145,784	128,863
Overdraft	55,409	161,248
	$ 11,860,732	$ 12,111,895

25. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2019	2018
Commercial paper	$ 13,471,704	$ 12,462,948
Asset-based securities	34,959,474	19,716,083
Corporate bonds	8,259,790	7,389,338
Government bonds	4,177,567	3,917,112
Financial bonds	4,508,901	848,907
	$ 65,377,436	$ 44,334,388
Maturity date	2020.01-2020.07	2019.01-2019.03
Repurchase price	$ 65,663,465	$ 44,509,373

26. ACCOUNTS PAYABLE

	December 31	
	2019	2018
Notes and checks in clearing	$ 1,076,011	$ 3,926,902
Interest payable	895,542	823,358
Accrued expenses	980,878	789,751
Investments payable	455,093	420,237
Collections payable	238,668	148,967
Settled price	127,990	21,170
Bank acceptances payable	112,902	189,277
Tax payable	108,739	102,319
Others	619,466	591,441
	$ 4,615,289	$ 7,013,422

27. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking deposits	$ 5,847,783	$ 6,062,393
Demand deposits	92,564,567	80,425,371
Savings deposits	327,270,693	302,787,459
Time deposits	106,932,371	113,880,684
Negotiable certificates of deposit	234,500	10,477,200
Inward and outward remittances	49,186	284,968
	$ 532,899,100	$ 513,918,075

28. BANK DEBENTURES

	December 31 2019	December 31 2018
First issue of subordinated bank debentures in 2012; fixed rate at 2.32%; maturity: March 2019	$ -	$ 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	2,500,000
First issue of subordinated bank debentures in 2017; 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%	500,000	500,000
First issue of subordinated bank debentures in 2019; fixed rate at 1.10%; maturity: September 2026	500,000	-
First issue of subordinated bank debentures in 2019; fixed rate at 1.23%; maturity: September 2029	1,500,000	-
	$ 10,200,000	$ 9,700,000

29. BONDS PAYABLE

	December 31 2019	December 31 2018
Overseas corporate bonds - secured	$ 1,473,858	$ 1,480,976

SSG15

To comply with the Japanese law, whenever SSG15 issues 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 with a face value of JPY2,200,000 thousand (NT$609,490 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY3,760,970 thousand (NT$1,041,943 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 interest 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 with a face value of JPY1,920,000 thousand (NT$531,919 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY3,767,298 thousand (NT$1,043,696 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 interest 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.

SSG16

SSG16 issued secured corporate bonds, KK must transfer more than half of the shares of common stock of SSG16 held by KK to the legal entity Ippam Shadan Hojin UCJ2 (ISH UCJ2) in order to establish bankruptcy isolation mechanism.

SSG16 issued four-year period secured corporate bonds with a face value of JPY1,200,000 thousand (NT$332,449 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY2,426,491 thousand (NT$672,237 thousand). Issuance of Corporate bonds of base rate + 0.50% (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).

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	**2018**
Commercial paper	$ 4,887,675	$ 4,077,639
Principal amounts of structured products	-	11,640
Funds obtained from the government - intended for specific types of loans	111	185
	$ 4,887,786	$ 4,089,464

31. PROVISIONS

	December 31	
	2019	2018
Reserve for losses on guarantees and loan commitment	$ 221,488	$ 207,539
Provisions for employee benefits	8,568	28,264
Others	28,479	26,679
	$ 258,535	$ 262,482

The Company has accrued an allowance for doubtful guarantees and loan commitments; the changes in allowance for doubtful accounts on guarantees and loan commitment for the years ended December 31, 2019 and 2018 were as follows:

	2019					
	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	$ 24,420	$ 3,405	$ 28,732	$ 56,557	$ 150,982	$ 207,539
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(20)	20	-	-	-	-
Credit-impaired financial assets	(34)	(8)	42	-	-	-
12-month ECL	736	(716)	(20)	-	-	-
Derecognition of financial assets in the current reporting period	(16,943)	(2,660)	(28,733)	(48,336)	-	(48,336)
New financial assets purchased or originated	43,186	3,672	28,129	74,987	-	74,987
Difference of impairment loss under regulations	-	-	-	-	(12,691)	(12,691)
Change in others	-	40	-	40	-	40
Change in exchange rates	(51)	-	-	(51)	-	(51)
Balance at December 31, 2019	$ 51,294	$ 3,753	$ 28,150	$ 83,197	$ 138,291	$ 221,488

	2018					
	12-month Expected-credit Losses	**Lifetime Expected-credit Losses**	**Lifetime Expected-credit Losses (Credit-impaired Financial Assets)**	**Impairment Loss under IFRS 9**	**Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)**	**Total**
Balance at January 1, 2018	$ 53,685	$ 304	$ 20	$ 54,009	$ 112,274	$ 166,283
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(47)	47	-	-	-	-
Credit-impaired financial assets	(70)	(59)	129	-	-	-
12-month ECL	148	(147)	(1)	-	-	-
Derecognition of financial assets in the current reporting period	(45,622)	(135)	(78)	(45,835)	-	(45,835)
New financial assets purchased or originated	16,275	3,395	41	19,711	-	19,711
Difference of impairment loss under regulations	-	-	-	-	38,708	38,708
Change in others	-	-	28,621	28,621	-	28,621
Change in exchange rates	51	-	-	51	-	51
Balance at December 31, 2018	$ 24,420	$ 3,405	$ 28,732	$ 56,557	$ 150,982	$ 207,539

32. 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 (the "LPA"), which is a state-managed defined contribution plan. Under the 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 2019 and 2018 of $146,629 thousand and $133,656 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 a fixed proportion 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	
	2019	**2018**
Present value of defined benefit obligation	$ (1,704,114)	$ (1,640,351)
Fair value of plan assets	1,870,111	1,632,342
Surplus (deficit)	165,997	(8,009)
Net defined benefit assets (liabilities)	$ 165,997	$ (8,009)
Provisions - accrued retirement liabilities	$ (8,568)	$ (28,264)
Other assets - prepaid retirement	$ 174,565	$ 20,255

Movements in net defined benefit (liabilities) assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Total**
Balance at January 1, 2019	$ (1,640,351)	$ 1,632,342	$ (8,009)
Service cost			
Current service cost	(16,351)	-	(16,351)
Net interest (expense)	(16,530)	16,450	(80)
Recognized in profit or loss	(32,881)	16,450	(16,431)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	259,748	259,748
Actuarial gain (loss) - changes in financial assumptions	(56,268)	-	(56,268)
Actuarial gain (loss) - experience adjustments	(29,187)	-	(29,187)
Recognized in other comprehensive income	(85,455)	259,748	174,293
Contributions from the employer	-	16,144	16,144
Benefits paid	54,573	(54,573)	-
Balance at December 31, 2019	$ (1,704,114)	$ 1,870,111	$ 165,997
Balance at January 1, 2018	$ (1,571,309)	$ 1,577,056	$ (5,747)
Service cost			
Current service cost	(16,354)	-	(16,354)
Net interest (expense)	(19,249)	19,319	70
Recognized in profit or loss	(35,603)	19,319	(16,284)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 38,121	$ 38,121
Actuarial gain (loss) - changes in financial assumptions	44,912	-	44,912
Actuarial gain (loss) - experience adjustments	(97,010)	-	(97,010)
Recognized in other comprehensive income	(52,098)	38,121	(13,977)
Contributions from the employer	-	16,505	16,505
Benefits paid	18,659	(18,659)	-
Balance at December 31, 2018	$ (1,640,351)	$ 1,632,342	$ (8,009)

(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	
	2019	2018
Discount rate	0.690%-0.714%	0.984%-1.008%
Expected rates of future salary increase	1.5%-2.5%	1.50%-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	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (47,304)	$ (46,833)
0.25% decrease	$ 49,206	$ 48,784
Expected rate(s) of salary increase		
0.25% increase	$ 47,544	$ 47,275
0.25% decrease	$ (45,960)	$ (45,634)

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	
	2019	**2018**
The expected contributions to the plan for the next year	$ 16,547	$ 16,919
The average duration of the defined benefit obligation	9-14 years	10-15 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 $98 thousand in 2019 and $117 thousand in 2018.

33. OTHER LIABILITIES

	December 31	
	2019	**2018**
Guarantee deposits received	$ 2,337,357	$ 2,313,368
Advance receipts	827,904	558,431
Others	120,220	126,248
	$ 3,285,481	$ 2,998,047

34. EQUITY

a. Capital stock

Common stock

	December 31	
	2019	**2018**
Number of shares authorized (in thousands)	4,500,000	4,500,000
Amount of shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,884,455	2,690,013
Amount of shares issued	$ 28,844,553	$ 26,900,129

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

Preferred stock

Due to the capital needs of the Bank for future long-term business development and operational scale expansion, the Bank's shareholders approved and authorized the board of directors to issue ordinary shares or special shares for domestic cash capital increase (one or both, as appropriate) in accordance with the provisions of the Articles of Incorporation or the relevant laws and regulations, in order to raise the long-term funds. The total funds to be raised through issuing new shares as authorized this time shall not be more than NT$10 billion (inclusive) as the principle. The number of shares for issue shall not be more than 800,000,000 shares (inclusive) as the principle. On June 28, 2017, the Banks's board of directors resolved to issue preferred stock - A totaling 200,000 thousand shares, with a par value of NT$10, at NT$50 per share in the total amount of NT$10,000,000 thousand on December 28, 2017. The issuance of shares has been approved by the FSC under Order No. 1060033586 issued on September 1, 2017.

On October 24, 2017, the capital from issue of preferred stock - A amounted to NT$10,000,000 thousand. The preferred stock - A was listed on Taiwan Stock Exchange on December 1, 2017.

The rights and other important conditions of issuance of the preferred stock - A are as follows:

1) Tenor: Perpetual.

2) Dividend yield: An annual dividend yield is set at 4.8% (5-year IRS 0.89125%+3.90875%) per annum of the issue price at the pricing day. The 5-year IRS will be reset on the next business day after each fifth and half anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 5-year IRS rate is the arithmetic mean of 5-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Bank will determine the rate based on reasonable market price with good faith.

3) Dividend payment: Whereas the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, offset losses of previous years, and from the remaining profit set aside amount as legal reserve, and set aside or reverse special reserve in accordance with the laws and regulations, and distribute dividends to the preferred shareholders. The Bank has the sole discretion on the distribution of dividends of preferred stocks - A, which includes but not limited to the Bank's discretion to resolve not to distribute dividends to the preferred shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferred stocks, or if the distribution of dividends of preferred stocks may cause Total Capital Adequacy Ratio to be less than the authority's minimum requirement, or if the Bank has other essential considerations. If the Bank resolves not to distribute dividends to the preferred shareholders, the shareholders of preferred stock - A shall raise no objection. The unpaid dividend will not be carried forward to years with earnings. The stock dividends of preferred stocks - A are distributed by cash in one payment annually. After the shareholders, in their meeting, approved the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolved to distribute from the earnings cash dividends, the board of directors sets the record date of preferred stock - A for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date (or redemption date) of dividend. The amount of dividends distributed should be listed on the dividend statements.

4) Restrictions on payment of dividends to common shares: Except for the dividends prescribed in the preceding subparagraphs herein, the shareholders of preferred stock - A are not entitled to participate in the distribution of cash or stock dividends with regard to the ordinary shares derived from earnings or capital reserves.

5) Redemption: After 5.5 years from the issue date, the bank may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - A at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - A shall continue as specified herein. If the stockholders' meeting approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.

6) Liquidation preference: In the event of liquidation, except when the competent authority assigned officials to take receivership over the Bank, order the Bank to suspend and wind up business, or liquidate the Bank, in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", the order of priority for the distribution of the earnings and assets of the shareholders of preferred stock - A is the same as that of a common stockholder, the shareholders of preferred stock - A shall be given priority to claim on the Bank's remaining assets over the shareholders of common stocks, and equal to shareholders of other preferred stock issued by the Bank, but subordinate to the holders of Tier 2 capital, depositors, and other general creditors, and not more than the issuance amount of outstanding shares of preferred stock - A.

7) Voting rights or election rights: The shareholders of preferred stock - A are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in preferred stock - A shareholders' meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of the shareholders of preferred stock - A.

8) Preferred stock - A shall not be converted into common stocks. The shareholders of the preferred stocks shall not require the Bank to redeem the rights of the preferred stocks - A.

9) When the bank issues new shares in cash, the shareholders of preferred stock - A and the common stock shall be entitled to equivalent preemptive rights on the new shares.

b. Capital surplus

	December 31	
	2019	**2018**
Issuance of preference shares	$ 8,000,000	$ 8,000,000
Treasury stock transactions	32,413	32,413
Issuance of ordinary shares	3,071	-
	$ 8,035,484	$ 8,032,413

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of ordinary shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus and to 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 Company's paid-in-capital. Legal reserve may be used to offset deficit. If the Company 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 Company's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Company'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.

If a special reserve appropriated on the first-time adoption of IFRSs relates to investment properties other than land, the special reserve may be reversed continuously over the period of use. The special reserve relating to land may be reversed on the disposal or reclassification of the related assets.

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 Company 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.

According to Order No. 1010012865 and No. 10510001510 issued by FSC that should appropriate special reserves.

	December 31	
	2019	**2018**
Balance at January 1, 2018	$ 612,656	$ 585,206
Special reserves appropriated	14,784	27,450
Balance at December 31, 2018	$ 627,440	$ 612,656

e. Retained earnings and dividend policy

The shareholders of the Bank held their regular meeting on May 31, 2019 and resolved the amendments to the Bank's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that at the end of each half of the accounting year, the Bank may propose a proposal for the distribution of surplus or loss for the first half of the fiscal year, together with the business report and financial statements submitted to the audit committee for review, which are subject to the resolution of the board of directors. When allocating surpluses, in addition to estimating and retaining taxable donations, making up for losses according to law, and making statutory surplus reserves, it is also advisable to retain employee compensation.

Under the dividends policy as set forth in the amended Articles, if the Bank has made a profit at the end of the fiscal year, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated, then 30% shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount together with the accumulated undistributed profit from the previous year shall be subject to a profit distribution proposal prepared by the board of directors and shall be submitted to the shareholders' meeting for a resolution on the distribution of shareholders' dividends and bonuses.

When distributing the surplus of the preceding paragraph, the statutory surplus reserve and the capital reserve by way of issuing new shares, the shareholders' meeting will be held to make a special resolution; the cash assignor is authorized to distribute the surplus by the board of directors with more than two-thirds of the directors attending and resolution of more than half of the directors, and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, if the Bank has made a profit at the end of the fiscal year, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated, then 30% shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount together with the accumulated undistributed profit from the previous year shall be subject to a profit distribution proposal prepared by the board of directors and submitted to the shareholders' meeting for a resolution on the distribution of shareholders' dividends and bonuses.

When distributing the surplus of the preceding paragraph, the statutory surplus reserve and the capital reserve by way of issuing new shares, the shareholders' meeting will be held to make a special resolution; the cash assignor is authorized to distribute the surplus by the board of directors with more than two-thirds of the directors attending and resolution of more than half of the directors, and a report of such distribution should be submitted in the shareholders' meeting. The dividends and bonuses under the first paragraph shall be distributed in cash or stock, as determined by the board of directors based on the financial status at the time, future profitability status and capital budget planning of the Bank. In principle, if the ratio between the Bank's own capital and risky assets after distribution will be lower than the ratio stipulated by the competent authority by 1%, issuance of stock dividend may be given priority; before the level of capital reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of the total capital.

The appropriations from the earnings of 2018 and 2017 were approved in stockholders' meetings on May 31, 2019 and June 8, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 887,017	$ 823,496		
Special reserve	14,784	24,750		
Cash dividends on ordinary shares	-	1,042,061	$-	$0.40
Stock dividends on ordinary shares	1,883,009	781,546	0.7	0.30
Cash dividends on preference shares	480,000	90,740	2.4	0.45369863

Note: 69 days of outstanding in 2018 and 4.8% dividend yield.

The appropriations from the 2019 earnings were proposed by the board of directors on March 11, 2020. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 1,007,837	
Special reserve	288,446	$ 0.1
Stock dividends on ordinary shares	2,019,119	0.7
Cash dividends on preference shares	480,000	2.4

The appropriation of earnings for 2019 will be approved in stockholders' meeting to be held on May 28, 2020.

f. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (413,524)	$ (765,444)
Exchange differences arising on translating the foreign operations	(238,885)	405,845
Income tax on related from translating the net assets of foreign operations	47,777	(53,925)
Balance at December 31	$ (604,632)	$ (413,524)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1 (IFRS 9)	$ 2,073,347	2,797,843
Generated this year		
Unrealized gain (loss)		
Debt instruments	1,611,224	(1,006,200)
Equity instruments	1,947,241	205,873
Adjustments to loss allowance for debt instruments	17,662	40,778
Disposal of debt instruments	(24,322)	(553)
Other comprehensive income for the year	3,551,805	(760,102)
Acquisition of interest in subsidiary	(2,105)	-
Accumulated gain (loss) transferred to retained earnings from disposal of equity instruments at FVTOCI	(333,523)	35,606
Balance at year-end	$ 5,289,524	$ 2,073,347

g. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 245,726	$ 266,635
Attributed to non-controlling interests		
Share of profit for the year	12,021	(1,723)
Actuarial gains (loss) on defined benefit plans	-	(207)
Income tax related to actuarial gains and losses	-	23
Unrealized gains (losses) on investments in equity instruments at fair value through gains or losses	(63)	(282)
Cash dividends distributed by subsidiaries	-	(18,720)
Acquisition of non-controlling interests (Note 53)	(256,106)	-
Balance at December 31	$ 1,578	$ 245,726

35. NET INTEREST

	For the Year Ended December 31	
	2019	2018
Interest revenue		
Discounts and loans	$ 7,792,869	$ 6,987,828
Credit card	836,084	789,060
Due from the Central Bank and call loans to other banks	231,438	129,543
Securities purchased under resell agreements	269,316	144,854
Investments in debt instruments at amortized cost	1,912,430	1,995,101
Financial assets at fair value through other comprehensive income	901,475	899,538
Others	59,497	41,784
	12,003,109	10,987,708
Interest expense		
Deposits	3,897,601	3,300,204
Securities sold under repurchase agreements	1,203,134	294,889
Bank debentures	246,880	568,090
Due to Chunghwa Post Co., Ltd.	48,489	16,362
Others	129,543	106,375
	5,525,647	4,285,920
	$ 6,477,462	$ 6,701,788

36. COMMISSIONS AND FEE REVENUES, NET

	For the Year Ended December 31	
	2019	2018
Commission and fee revenues		
Credit cards and cash cards	$ 1,319,093	$ 1,085,186
Insurance commission	871,886	903,812
Trust business	478,926	384,548
Loan business	390,072	285,365
Interbank service fee	101,056	101,957
Underwriting business	79,377	68,892
Guarantee business	109,034	107,355
Others	227,860	260,937
	3,577,304	3,198,052
Commission and fee expense		
Credit card	632,799	589,004
Verification of credit	35,532	37,960
Interbank service fee	22,966	20,571
Acquiring liquidation deal	17,221	14,540
Others	151,940	113,125
	860,458	775,200
	$ 2,716,846	$ 2,422,852

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

	For the Year Ended December 31	
	2019	2018
Realized gain or loss on financial assets at fair value through profit or loss		
Currency swap contracts	$ 959,335	$ 504,342
Foreign exchange forward contracts	324,367	(151,378)
Interest revenue	272,159	196,079
Beneficiary securities and shares	254,796	(160,323)
Cross-currency swap contracts	61,109	-
Dividend revenue	36,024	27,620
Principal guaranteed notes	33,242	-
Corporate bonds	27,321	6,278
Commercial papers	8,220	14,975
Option contracts	3,125	5,167
Government bonds	1,783	(181)
Futures exchange margins	1,124	-
	1,982,605	442,579
Unrealized gain or loss on financial assets at fair value through profit or loss		
Beneficiary securities and shares	81,591	(76,741)
Government bonds and corporate bonds	8,302	(3,350)
Commercial paper	(1,257)	131
Derivative financial assets and liabilities	(585,369)	(139,551)
	(496,733)	(219,511)
	$ 1,485,872	$ 223,068

38. REALIZED GAIN ON FINANCIAL ASSETS AT FVTOCI

	For the Year Ended December 31	
	2019	2018
Dividend revenue	$ 321,880	$ 443,146
Net income on disposal - debt instruments	24,322	553
	$ 346,202	$ 443,699

39. LOSS FROM ASSETS IMPAIRMENT (REVERSAL)

	For the Year Ended December 31	
	2019	2018
Investments in debt instruments at fair value through other comprehensive income	$ (19,605)	$ (39,935)
Financial assets at amortized cost	(43,501)	-
Foreclosed collateral	20,185	6,346
	$ (42,921)	$ (33,589)

40. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2019	2018
Salaries and wages	$ 2,445,490	$ 2,281,806
Bonus	859,571	752,477
Pension		
Defined contribution plans	146,727	133,773
Defined benefit plans	16,431	16,284
Labor insurance and national health insurance	304,795	280,204
Others	58,228	66,483
	$ 3,831,242	$ 3,531,027

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, 2019 and 2018 which have been approved by the Company's board of directors on March 11, 2020 and March 13, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.84%	1.84%
Remuneration of directors	0.09%	0.09%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Share	Cash	Share
Employees' compensation	$ -	$ 74,567	$ -	$ 64,486
Remuneration of directors and supervisors	3,647	-	3,154	-

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

The number of shares of the employees' compensation, which was determined by dividing the amount of the employees' compensation resolved for 2019 and 2018 by $10.65 and $10.5, respectively, which is the closing price per share on the day immediately preceding the meeting of the Company's board of directors was 7,002 thousand shares and 6,142 thousand shares for 2019 and 2018, respectively.

There was no difference between the actual amounts of employees' compensation and remuneration of directors in 2018 and 2017 and paid and the amounts recognized in the financial statements in 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

41. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2019	2018
Assets leased	$ 1,588,030	$ 1,582,288
Property and equipment	317,258	295,593
Investment properties	47,304	39,676
Intangible assets	88,404	70,003
Right-of-use assets	442,886	-
	$ 2,483,882	$ 1,987,560

42. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2019	2018
Taxation and government fee	$ 698,324	$ 612,786
Advertisement	602,989	433,126
Outsourcing service	315,017	297,055
Postage/cable charge	265,487	263,449
Rental	203,796	623,783
Computer operating	166,439	171,658
Maintenance charge	153,116	126,645
Deposit insurance	140,993	135,088
Others	736,766	779,981
	$ 3,282,927	$ 3,443,571

43. 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	
	2019	2018
Current tax		
Current year	$ 498,030	$ 71,273
Additional income tax on unappropriated earnings	139	-
Prior year’s adjustments	4,785	(10,459)
	502,954	60,814
Deferred tax		
Current year	153,024	554,711
Change in tax rate	-	(93,942)
	153,024	460,769
Income tax expense recognized in profit or loss	$ 655,978	$ 521,583

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2019 and 2018 is as follows:

	For the Year Ended December 31	
	2019	**2018**
Income before tax	$ 4,027,456	$ 3,476,584
Income tax expense at the 20% statutory rate	$ 800,051	$ 682,343
Tax-exempt income	(275,218)	(149,283)
Nondeductible expenses in determining taxable income	26,376	33,802
Additional income tax under the Alternative Minimum Tax Act	1,869	24,379
Unrecognized deductible temporary differences	24,090	5,608
Additional income tax on unappropriated earnings	139	-
Disposal loss from investments in equity instruments at fair value through other comprehensive income	1,387	(32,384)
Other permanent differences	72,499	61,519
Adjustments for prior year's tax	4,785	(10,459)
Effect of change in tax rate	-	(93,942)
Income tax expense recognized in profit or loss	$ 655,978	$ 521,583

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.The applicable tax rate used by subsidiaries in Hong Kong is 16.5%; the applicable tax rate used by subsidiaries in Japan is 30% and the applicable tax rate used by subsidiaries in Singapore is 17%.

As the manner of the 2019 appropriation of the 2018 earnings is uncertain, the income tax consequences on the 2018 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Recognized in other comprehensive income:		
Exchange differences on the translation of financial statements of foreign operations	$ 47,777	$ (53,925)
Unrealized gain or loss from financial assets at fair value through other comprehensive income	(300,175)	(207,225)
Actuarial gains and losses on defined benefit plans	(34,858)	9,490
Total income tax expenses (profit) recognized in other comprehensive income	$ (287,256)	$ (251,660)

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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
Deferred tax assets						
Temporary differences						
Impairment loss of financial instruments	$ 54,652	$ (11,952)	$ -	$ -	$ -	$ 42,700
Exchange difference on translation of foreign operations	100,459	-	47,777	-	-	148,236
Employee benefit plan	176,665	3,085	(4,056)	-	-	175,694
Allowance for possible losses and reserve for losses on guarantees	129,643	(47,915)	-	-	-	81,728
Investment properties	139,244	(1,927)	-	-	-	137,317
Others	43,123	70,123	-	-	-	113,246
	643,786	11,414	43,721	-	-	698,921
Loss carryforwards	147,764	(147,764)	-	-	-	-
	$ 791,550	$ (136,350)	$ 43,721	$ -	$ -	$ 698,921
Deferred tax liabilities						
Temporary differences						
Financial assets at fair value through other comprehensive income	$ (695,946)	$ -	$ (300,175)	$ -	$ -	$ (996,121)
Amortization of goodwill impairment loss	(397,061)	-	-	-	-	(397,061)
Others	(176,563)	(16,674)	(30,802)	20	-	(224,019)
	$ (1,269,570)	$ (16,674)	$ (330,977)	$ 20	$	$ (1,617,201)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
Deferred tax assets						
Temporary differences						
Impairment loss of financial instruments	$ 46,454	$ 8,198	$ -	$ -	$ -	$ 54,652
Exchange difference on translation of foreign operations	154,384	-	(53,925)	-	-	100,459
Employee benefit plan	145,428	21,533	9,704	-	-	176,665
Allowance for possible losses and reserve for losses on guarantees	31,807	97,836	-	-	-	129,643
Investment properties	119,996	19,248	-	-	-	139,244
Others	27,137	15,986	-	-	-	43,123
	525,206	162,801	(44,221)	-	-	643,786
Loss carryforwards	647,768	(500,004)	-	-	-	147,764
	$ 1,172,974	$ (337,203)	$ (44,221)	$ -	$ -	$ 791,550
Deferred tax liabilities						
Temporary differences						
Financial assets at fair value through other comprehensive income	$ (488,721)	$ -	$ (207,225)	$ -	$ -	$ (695,946)
Amortization of goodwill impairment loss	(337,502)	(59,559)	-	-	-	(397,061)
Others	(110,973)	(64,007)	(214)	(108)	(1,261)	(176,563)
	$ (937,196)	$ (123,566)	$ (207,439)	$ (108)	$ (1,261)	$ (1,269,570)

d. Information on loss carryforwards

The Company's loss carryforwards as of December 31, 2019 were as follows:

	Unused Amount	Expiry Year
Union Securities Investment Trust Corporation	$ 45,846	2023
Union Finance International (HK) Limited	$ 92,317	N/A

e. Income tax assessments

	Examined and Cleared
Union Bank of Taiwan	Through 2017
Union Finance and Leasing International	Through 2017
Union Information Technology	Through 2017
Union Securities Investment Trust Corporation	Through 2017

49. EARNINGS PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 1.00	$ 1.07
Diluted earnings per share	$ 1.00	$ 1.06

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2019	2018
Net profit	$ 3,359,457	$ 2,956,724
Less: Dividends on preference shares	(480,000)	(90,740)
Earnings used in the computation of basic earnings per share	$ 2,879,457	$ 2,865,984
Earnings used in the computation of diluted earnings per share	$ 2,879,457	$ 2,865,984

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	2,883,260	2,688,690
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	7,943	8,047
Weighted average number of ordinary shares used in the computation of diluted earnings per share	2,891,203	2,696,737

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses 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.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 10, 2019. The basic and diluted earnings per share were adjusted retrospectively from $1.07 to $1.06 and $1.00 to $0.99 for the year ended December 31, 2018.

45. 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	Associates
LINE BIZ+ Taiwan, Ltd. (LINE PAY)	Associates
Hung-Kou Construction Inc., Ltd. (Hung-Kou)	Related party in substance
The Liberty Times Co., Ltd. (Liberty Times)	Related party in substance
Long Shan Lin Corporation	Related party in substance
Yong-Xuan Co., Ltd. (Yong-Xuan)	Related party in substance
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
Union Optronics Co., Ltd. (Union Optronics)	Related party in substance
Hi-Life International Co., Ltd.	Related party in substance
Securities Investment Trust Funds	Issued by Union Securities Investment Trust
Others	Directors, managers, and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2019

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2019	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonper-forming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	19	$ 15,965	$ 9,481	$ 9,481	$ -	Land, buildings and cars	None
Self-used housing mortgage loans	49	166,350	102,797	102,797	-	Real estate	None
Others	8	16,095	11,146	11,146	-	Land and buildings	None

December 31, 2018

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2018	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	20	$ 21,669	$ 17,531	$ 17,531	$ -	Land, buildings and cars	None
Self-used housing mortgage loans	41	169,381	99,280	99,280	-	Real estate	None
Others	8	77,644	8,400	8,400	-	Land, plant, buildings, quoted stock and time deposits	None

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2019	$ 123,424	0.03	1.56%-2.64%	$ 2,551	0.02
2018	125,211	0.04	1.06%-2.60%	2,868	0.03

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate (Note)	Amount	%
2019	$ 5,267,414	0.99	0%-4.80%	$ 48,121	0.87
2018	4,905,638	0.95	0%-4.80%	40,741	0.95

3) Guarantees and letters of credit

December 31, 2019

Name	Highest Balance in the Year Ended December 31, 2019	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 19,316	$ 19,316	$ -	0.50%	Time deposits
The Liberty Times Co., Ltd.	2,630	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.50%	Time deposits
Hi-Life International Co., Ltd.	114,324	18,500	-	0.40%	-

December 31, 2018

Name	Highest Balance in the Year Ended December 31, 2018	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 19,316	$ 19,316	$ -	0.50%	Time deposits
The Liberty Times Co., Ltd.	2,547	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.50%	Time deposits
Union Optronics Corporation	39,193	-	-	0.75%	Time deposits
Hi-Life International Co., Ltd.	318,374	318,374	-	0.40%	-

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

4) 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 Company'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)		**Lease Liabilities**	
	Amount	**%**	**Amount**	**%**
2019				
Yu-Pang	$ 459,983	18.05	$ 44,117	3.12
Hung-Kuo	219,465	8.61	62,672	4.43
13.80Yong-Xuan	15,685	0.62	195,363	13.80
UECC	4,651	0.18	9,946	0.70

	Lease Deposit (Part of Other Assets)		**Rental Expense (Part of Other Operating Expense)**	
	Amount	**%**	**Amount**	**%**
2018				
Yu-Pang	$ 459,983	21.99	$ 25,900	4.12
Hung-Kuo	219,465	10.49	104,361	16.59
Yong-Xuan	16,194	0.77	66,804	10.62
UECC	5,334	0.25	11,038	1.75

The Bank rented space to install an ATM of Hi-life International Corporation and the rent expense was $1,372 thousand in 2019. Rental payable as of December 31, 2019 was $14 thousand.

5) Financial assets at fair value through profit or loss

As of December 31, 2019 and 2018, the UFLIC had purchased 6,968 thousand units of beneficiary certificates issued by USITC, which amounted to $123,481 thousand and $114,056 thousand, respectively, and gain on disposal of investment were both $0.

6) LINE PAY provided the use of its consumer platform to the Bank. The maintenance fees of the platform was $4,273 thousand in 2019.

7) LINE PAY provided the credit card bonus points and cooperative marketing activities to the Bank. The advertising fee was $136,198 thousand in 2019.

8) Hi-Life provided the commodity bonus exchange and marketing activities to the Bank. The advertising fees were $815 thousand and $91 thousand in 2019 and 2018, 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	
	2019	2018
Short-term employment benefits		
Salaries	$ 47,925	$ 45,912
Transportation expenses	1,240	1,400
Other	11	11
	49,176	47,323
Post-employment benefits	8,653	1,233
	$ 57,829	$ 48,556

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

46. PLEDGED ASSETS

a. As of December 31, 2019 and 2018, government bonds and bank debentures, which amounted to $318,605 thousand and $310,905 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.

b. As of December 31, 2019 and 2018, the Bank pledged a time deposit of $1,100,000 thousand and $300,000 thousand (part of other financial assets), respectively to Mega International Commercial Bank and Mizuho 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	
	2019	2018
Other financial assets		
Pledge assets	$ 90,463	$ 96,689
Investment property	$ 2,757,876	$ 2,741,018

d. As of December 31, 2019 and 2018, notes receivable (not expired) amounting to $643,196 thousand and $654,917 thousand had been used as collaterals to apply for loans and issue commercial papers, respectively.

47. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2019 and 2018, the Company's commitments consisted of the following:

	December 31	
	2019	2018
Irrevocable standby loan commitment	$ 115,314,710	$ 101,075,098
Unused credit card commitment	280,852,350	265,545,183
Unused letters of credit	893,729	822,060
Other guarantees	15,348,358	14,698,974
Collections for customers	28,655,887	27,451,323
Travelers' checks consigned-in	64,613	82,702
Guarantee notes payable	1,402,600	594,900
Trust assets	75,781,532	71,598,436
Marketable securities under custody	5,966,407	6,989,899

b. The duration of leasing cars (included in other assets) is about 1 to 3 years.

Minimum future annual rentals are as follows:

	December 31	
	2019	2018
Within 1 year	$ 1,835,100	$ 1,821,811
Over 1 year to 5 years	1,934,986	1,752,473
	$ 3,770,086	$ 3,574,284

c. Computer equipment purchase contracts

As of December 31, 2019 and 2018, the Company had contracts to buy computer equipment and software for $195,651 thousand and $117,012 thousand, respectively, of which $89,557 thousand and $75,598 thousand had been paid as of December 31, 2019 and 2018, respectively.

d. 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' (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.

The plaintiff has asked the US court to deliver the complaint to the Taiwan Taipei District Court through mutual legal assistance. In accordance with the provisions of Article 402, paragraph 1, paragraph 2 of the Code of Civil Procedure and the relevant practical opinions of the court, the legal documents have been legally delivered to USITC. In order to avoid the unfavorable judgment of the court, USITC appointed American lawyers to deal with the litigation. The plaintiff has asked the US court to deliver the complaint to the Taiwan Taipei District Court through mutual legal assistance. In accordance with the provisions of Article 402, paragraph 1, paragraph 2 of the Code of Civil Procedure and the relevant practical opinions of the court, the legal documents have been legally delivered to USITC. In order to avoid the unfavorable judgment of the court, USITC appointed American lawyers to deal with the litigation. The defendant in the same situation (that is, the non-US foreign investor who was allocated from the Fairfield series of funds) disputed the application of the US bankruptcy law and the jurisdiction of the US court. The US Court recognized the law does not apply to such defendants, therefore, rejected the plaintiff's request for the reason of international comity. The plaintiff has appealed to the Federal Second Circuit Court of Appeal. The court of appeals for the Second Circuit Court reversed. At present, the suit has been submitted to the United States Supreme Court, and wait for the court to hear the case.

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 would be distributed to the settling parties after deducting the approved amount of counselor fees and disbursement fees. The private equity funds managed by USITC received the check of settlement fee from Rust Consulting Inc. on January 3, 2017 and redeemed for cash on February 6, 2017.

e. Investment in internet-only banking

For the purpose of actively developing its digital finance business, the Bank participated in the establishment of the internet-only bank of LINE bank on November 7, 2018 after an approval from the board of directors was obtained. The Bank expects to obtain 5% of the shareholdings of LINE bank at a total price of $500,000 thousand. The case was approved by the authorities on July 30, 2019, and as of December 31 2019, the Bank had prepaid shares amounting to $100,000 thousand. As of March 11, 2019, the Bank had paid full amount of the investment.

48. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2019

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 6,167,712	Management fee payable	$ 7
Investments		Income tax payable	697
Mutual funds	44,205,497	Marketable securities payable	12,005,099
Common stock	685,405	Trust capital	63,716,585
Accounts receivable	9,605	Reserve and deficit	59,144
Stock in custody	12,005,099		
Real estate - land and building	12,708,214		
Total	$ 75,781,532	Total	$ 75,781,532

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2019.

Balance Sheet of Trust Accounts
December 31, 2018

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 4,650,271	Management fee payable	$ 5
Investments		Income tax payable	566
Mutual funds	41,286,267	Marketable securities payable	10,501,272
Common stock	649,901	Trust capital	61,145,308
Short-term bills and securities purchased under resell agreements	203,097	Reserve and deficit	(48,715)
Accounts receivable	8,247		
Stock in custody	10,501,272		
Real estate - land and building	14,299,381		
Total	$ 71,598,436	Total	$ 71,598,436

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2018.

Income Statement of Trust Accounts
Year Ended December 31, 2019

	Amount
Trust income	
Interest revenue - demand accounts	$ 931
Interest revenue - time deposits	18,509
Cash dividends - common stock	7,924
Income from beneficiary certificates	261
Realized capital gain - fund	1,011
Unrealized capital gain - fund	226
Unrealized capital gain - common stock at stock exchange market	49,185
Total trust income	78,047
Trust expense	
Management expense	10,965
Taxation	7,806
Agency fees	3,741
Unrealized capital loss - common stock at stock exchange market	281
Realized capital loss - fund	223
Unrealized capital loss - fund	548
Others	256
Total trust expense	23,820
Loss before tax	54,227
Income tax expense	(1,306)
Net loss	$ 52,921

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

Income Statement of Trust Accounts
Year Ended December 31, 2018

	Amount
Trust income	
Interest revenue - demand accounts	$ 607
Interest revenue - time deposits	15,240
Interest revenue - short-term bills and securities purchased under resell agreements	292
Cash dividends - common stock	9,211
Service fee allowances - common stock	4
Other income from tax refund plus interest	3
Income from beneficiary certificates	392
Realized capital gain - fund	944
Realized capital gain - common stock	143
Unrealized capital gain - fund	95
Unrealized capital gain - common stock at stock exchange market	15,428
Unrealized capital gain - common stock at over-the-counter market	5,214
Total trust income	47,573
Trust expense	
Management expense	12,451
Taxation	74,286
Business fees - attorney fees	100
Agency fees	7,088
Supervisor fee	80
Unrealized capital loss - common stock at stock exchange market	356
Realized capital loss - fund	560
Unrealized capital loss - fund	640
Others	125
Total trust expense	95,686
Loss before tax	(48,113)
Income tax expense	(981)
Net loss	$ (49,094)

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

Trust Property and Equipment Accounts
December 31, 2019

Investment Portfolio	Amount
Bank deposits	$ 6,167,712
Investments	
Mutual funds	44,205,497
Common stock	685,405
Accounts receivable	9,605
Stock in custody	12,005,099
Real estate - land and buildings	12,708,214
	$ 75,781,532

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2019.

Trust Property and Equipment Accounts
December 31, 2018

Investment Portfolio	Amount
Bank deposits	$ 4,650,271
Investments	
Mutual funds	41,286,267
Common stock	649,901
Short-term bills and securities purchased under resell agreements	203,097
Accounts receivable	8,247
Stock in custody	10,501,272
Real estate - land and buildings	14,299,381
	$ 71,598,436

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2018.

49. FINANCIAL INSTRUMENTS

a. Information on 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 beneficiary 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, 2019 and 2018 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2019			
	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)				
Financial assets mandatorily classified as at FVTPL				
Stock	$ 66,800	$ 66,800	$ -	$ -
Debt instruments	27,712	-	27,712	-
Beneficiary certificates	755,530	755,530	-	-
Commercial paper	29,670,103	-	29,670,103	-
Asset-based securities	67,361	-	67,361	-
Futures exchange margins	61,302	61,302	-	-
Financial assets at fair value through other comprehensive income				
Stock	7,999,008	6,841,913	-	1,157,095
Debt instruments	33,237,957	-	33,237,957	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	268,446	-	241,461	26,985
Liabilities				
Financial liabilities at FVTPL	650,981	-	624,005	26,976

	December 31, 2018			
	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)				
Financial assets mandatorily classified as at FVTPL				
Equity instruments	$ 671,596	$ 671,596	$ -	$ -
Debt instruments	27,247	-	27,247	-
Beneficiary certificates	2,555,622	2,555,622	-	-
Commercial paper	31,510,394	-	31,510,394	-
Asset-based securities	60,415	-	60,415	-
Principal guaranteed notes	1,368,547	-	1,368,547	-
Financial assets at fair value through other comprehensive income				
Equity instruments	8,564,352	7,429,778	-	1,134,574
Real estate investment trusts	129,905	129,905	-	-
Debt instruments	24,699,250	-	24,699,250	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	516,104	-	479,583	36,521
Liabilities				
Financial liabilities at FVTPL	307,799	-	271,277	36,522

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, financial assets at fair value through other comprehensive income, 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 contracts 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) Fair value adjustment

Credit risk assessment adjustment refers to the fair value of the over the counter (OTC) derivative financial commodity contracts, which also reflects the credit risk of both parties. It can be mainly divided into "credit evaluation adjustment" and "debit evaluation adjustment":

a) Credit value adjustments (CVA): A transaction in a non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility of the Company may not be able to collect the full market value or the counterparty may default on the repayment on the fair value.

b) Debit value adjustments (DVA): It refers to the transactions of the non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility that the Company may not be able to collect the full market value or the counterparty may default on the repayment of the fair value.

Both CVA and DVA are concepts of estimated loss, calculated as the probability of default (PD) multiplied by the default loss rate (LGD) and multiplied by the exposure at default (EAD).

For customers with external credit ratings, the default probability is based on the default probability corresponding to the external rating; for customers without external credit ratings, the impairment rate calculated according to the Company's loan and receivable impairment assessment and the average incidence of impairment is taken as the default probability.

The Company uses the fair value of OTC derivatives to calculate the amount of default risk (EAD).

The Company uses 60% as the default loss rate based on the recommendation of "IFRS 13 CVA and DVA Related Disclosure Guidelines" of the Stock Exchange.

The Company incorporates the credit risk assessment adjustment into the fair value calculation of financial instruments to reflect the counterparty's credit risk and the Company's credit quality.

4) Transfers between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2019 and 2018.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2019

(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	$ 36,521	$ (13,802)	$ -	$ 27,875	$ -	$ (23,609)	$ -	$ 26,985
Financial assets at fair value through other comprehensive income								
Equity instruments	1,011,440	-	38,657	-	-	(2,378)	-	1,047,719

For the year ended December 31, 2018

(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	$ 48,253	$ (22,635)	$ -	$ 50,712	$ -	$ (39,809)	$ -	$ 36,521
Financial assets at fair value through other comprehensive income								
Derivative financial assets	1,056,673	-	61,241	34,620	-	(17,960)	-	1,134,574

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2019

(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	$ 36,522	$ (14,128)	$ -	$ 31,111	$ -	$ (26,529)	$ -	$ 26,976

For the year ended December 31, 2018

(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	$ 48,259	$ 7,772	$ -	$ 25,396	$ -	$ (44,905)	$ -	$ 36,522

6) Quantitative information of significant unobservable inputs - Level 3 fair value measurement

Item	Product	2019/12/31 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	$ 26,985	Option pricing model	Ratio	AUD/JPY 8.73%-8.74% AUD/USD 6.69% EUR/USD 5.26% USD/JPY 4.87%-5.77% USD/TWD 3.45%-4.65% USD/ZAR 11.26-%-14.35%	The higher the ratio is, the higher the fair value
Non-derivative financial instruments						
Financial assets at fair value through other comprehensive income	Equity instruments	1,157,095	Assets value model	Allowance of minority interest	10%-20%	The higher the equity dispersion is, the lower the fair value
Derivative financial instruments						
Financial liabilities at fair value through profit or loss	Foreign exchange options	26,976	Option pricing model	Ratio	AUD/JPY 8.73%-8.74% AUD/USD 6.69% EUR/USD 5.26% USD/JPY 4.87%-5.77% USD/TWD 3.45%-4.65% USD/ZAR 11.26-%-14.35%	The higher the ratio is, the higher the fair value

Item	Product	2018/12/31 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	$ 36,521	Option pricing model	Ratio	AUD/JPY 11.88% AUD/USD 9.08%-9.70% EUR/USD 7.35%-7.45% NZD/USD 9.74% USD/TWD 3.69%-5.61% USD/ZAR 18.29-%-18.38%	The higher the ratio is, the higher the fair value
Non-derivative financial instruments						
Financial assets at fair value through other comprehensive income	Investment in equity instruments	1,134,574	Assets value model	Allowance of minority interest	10%-20%	The higher the equity dispersion is, the lower the fair value
Derivative financial instruments						
Financial liabilities at fair value through profit or loss	Foreign exchange options	36,522	Option pricing model	Ratio	AUD/JPY 11.88% AUD/USD 9.08%-9.70% EUR/USD 7.35%-7.45% NZD/USD 9.74% USD/TWD 3.69%-5.61% USD/ZAR 18.29-%-18.38%	The higher the ratio is, the higher the fair value

7) The assessment process of Level 3 fair value measurement

To ensure that the product assessment results can be close to the market, the risk management department of the Bank is responsible for the verification of the independent fair value. For products assessed by the model, before daily assessment, the information required for the assessment will be verified as correct and consistent with each other and the department will calibrate the model to the market quotation and update the input value required for the assessment model. In addition to regular checking of the accuracy of the assessment model, the reasonableness of the prices provided by third parties will also be checked.

8) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions were 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.

The fair value measurement of financial instrument is reasonable although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if the parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current periods are as follows:

December 31, 2019

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	**Unfavorable Changes**
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	$ 115,710	$ (115,710)

December 31, 2018

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	**Unfavorable Changes**
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	$ 113,457	$ (113,457)

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

1) Information of 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.

	December 31			
	2019		**2018**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets				
Financial assets measured at amortized cost	$ 104,170,149	$ 106,472,282	$ 94,149,872	$ 94,475,696
Financial liabilities				
Bank debentures	10,200,000	10,218,066	9,700,000	9,828,544

2) Fair value hierarchy

Items	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 106,472,282	$ -	$ 106,472,282	$ -
Financial liabilities				
Bank debentures	10,218,066	-	10,218,066	-

Items	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 94,475,696	$ -	$ 94,475,696	$ -
Financial liabilities				
Bank debentures	9,828,544	-	9,828,544	-

50. 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 of directors.

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 sheets 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, 2019	**December 31, 2018**
Irrevocable standby loan commitment	$ 9,548,993	$ 6,848,218
Unused letters of credit	893,729	822,060
Other guarantees	15,348,358	14,698,974
Unused credit card commitments	280,852,350	265,545,183

December 31, 2019	**Collateral**	**Netting Arrangements**	**Other Credit Enhancement**	**Total**
In-balance sheet items				
Discount and loans	$ 317,772,279	$ -	$ -	$ 317,772,279

December 31, 2018	**Collateral**	**Netting Arrangements**	**Other Credit Enhancement**	**Total**
In-balance sheet items				
Discount and loans	$ 283,365,539	$ -	$ -	$ 283,365,539

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, 2019		December 31, 2018	
	Amount	**%**	**Amount**	**%**
Private enterprises	$ 106,475,131	26.30	$ 92,655,902	26.80
Government organizations	34,150,025	8.43	16,652,952	4.81
Nonprofit organizations	797,036	0.20	726,667	0.21
Private organizations	262,021,341	64.72	234,658,365	67.87
Financial Institutions	787	-	-	-
Foreign enterprises	1,408,776	0.35	1,069,388	0.31
Total	$ 404,853,096	100.00	$ 345,763,274	100.00

b) By geographical area

The Company's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2019		December 31, 2018	
	Amount	**%**	**Amount**	**%**
Unsecured	$ 78,566,192	19.40	$ 52,407,081	15.16
Secured				
Financial instruments	11,439,874	2.83	9,054,700	2.62
Stocks	11,341,285	2.80	9,725,963	2.81
Properties	276,838,598	68.38	248,043,713	71.74
Movables	18,660,538	4.61	18,583,172	5.37
Guarantees	7,520,867	1.86	7,041,228	2.04
Others	485,742	0.12	907,417	0.26
Total	$ 404,853,096	100.00	$ 345,763,274	100.00

8) Analysis of impairment for financial assets

On the basis of the result of a credit evaluation, the Company may require collaterals before the credit facilities are granted. To minimize 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 close monitoring of the value of collaterals to ensure repayment. 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

The Company observes the value of collateral for financial instruments and takes into consideration the impairment loss that should be recognized for financial assets that are credit-impaired. The values of the credit-impaired financial assets and the values of collateral to mitigate potential losses are as follows:

Credit-impaired Financial Assets	**Carrying Amount**	**Allowance for Impairment Loss**	**Exposure Amount (Amortized Cost)**	**Fair Value of Collateral**
Receivables				
Credit cards	$ 1,080,427	$ 66,157	$ 1,014,270	$ -
Other	29,786	27,030	2,756	17,534
Discounts and loans	1,529,359	372,647	1,156,712	3,510,967
	$ 2,639,572	$ 465,834	$ 2,173,738	$ 3,528,501

9) Judgment that credit risk has increased significantly since the initial recognition

On each reporting date, the Bank assesses the change in the default risk of financial assets, as well as considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, to determine whether the credit risk has increased significantly. The main considerations include:

<u>Quantitative indicators</u>

a) The borrower pays the amount for contracts overdue for at least one month (more than or equal to 30 days for the credit card business), or the amounts for other contracts that are overdue for at least one month (more than or equal to 30 days for the credit card business).

b) Debt instruments whose prices on the reporting date have fallen more than 40% from the original price since the acquisition date.

c) Debt instruments that have non-investment grades based on the debt (priority), issuer, and guarantor's credit rating and that have fallen by more than two grades and whose prices have fallen by more than 15% on the reporting date.

Qualitative indicators

a) The borrower's check bounced due to insufficient funds in the Bank's checking account, or announced as a rejected account.

b) The borrower's collateral was seized.

c) The borrower's debt has been recognized as a non-accrual loan or transferred to bad debt by other financial institutions.

d) The borrower has been reorganized.

e) An auditors' report on the borrower has been released where it was stated that a material uncertainty exists that may cast significant doubt on the borrower's ability to continue as a going concern.

f) The borrower has other bad debts that indicate that the borrower's ability to perform its debt obligations is weak or has signs of impairment, which has been assessed to affect its operations or repayment ability.

10) Definition of default and credit impaired financial assets

The Company uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions below are met, the Company determines that the financial assets have defaulted and are credit impaired. The main considerations include:

a) The borrower pays the amount for contracts overdue for at least 3 months (90 days and above for the credit card business).

b) The debtor has significant financial difficulties (e.g., the debtor has ceased operations, is bankrupt, or has liquidated).

c) Economic or legal considerations, concessions to borrowers with financial difficulties (such as debt negotiations).

If the financial assets no longer meet the definition of default and credit impairment, they are judged as regaining their status of meeting performance obligations and are no longer regarded as financial assets that have defaulted and are credit impaired.

11) Reversal policy

When the Company is not reasonably expected to recover all or part of the financial assets, the indicators that all or part of the financial assets that cannot be reasonably expected to be recovered include the following:

a) Recourse activities have stopped.

b) The borrower is assessed to have insufficient assets or sources of income to pay the outstanding amount.

The financial assets that have been written off by the Company may still have ongoing recourse activities in accordance with the relevant policies.

12) Contractual cash flow modification of financial assets

The Company may modify the contractual cash flow of financial assets due to the borrower's financial difficulties, increase in the recovery rate of the doubtful borrowers, or to maintain customer relationships. The modification of the contractual terms of the financial assets may include extending the contract period, modifying the interest payment time, and modifying the agreed interest rate or the exemption of some of the outstanding debts. The modification of contractual cash flows of financial assets may result in the delisting of existing financial assets in accordance with the Company's financial assets delisting policy and recognition of new financial assets at fair value.

If the contractual cash flow modification of a financial asset does not result in a derecognition, the Company assesses whether the credit risk of the financial asset has increased significantly by comparing the following:

a) Risk of default on the reporting date (based on modified contract terms).

b) The risk of default at the time of original recognition (based on the original unmodified contract terms).

The Company considers the borrower's subsequent payment in accordance with the revised terms and several relevant behavioral indicators to assess the probability of default of the revised financial assets and confirm whether the contract modification improves or restores the ability of the Company to recover the relevant contract payments. If the borrower pays the contract amount according to the revised terms and shows good payment behavior, it can be determined that the credit risk is reduced and the loss allowance will be measured by the 12-month expected credit loss.

The Company regularly reviews the changes in credit risk of the revised financial assets in accordance with relevant policies, and evaluates whether there is a significant increase in credit risk following the revised financial assets based on a specific model.

13) Measurement of expected credit losses

For the purpose of assessing expected credit losses, credit assets are classified into the following groups based on the credit risk characteristics of the borrower's industry, credit risk rating, collateral type and remaining maturity period:

Business	**Group**	**Definition**
Corporate banking	Corporate banking	Corporate banking business
Consumer banking	Mortgages	Mortgage business
	Financial loans	Financial loan business
	Credit card	Credit card business
	Others	Other business

The Company adopts the 12-month ECL model to evaluate the loss allowance of financial instruments whose credit risk have not increased significantly since initial recognition, and adopt the lifetime ECL model to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Company considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

"PD" refers to the borrower's probability to default and "LGD" refers to losses caused by the default. The Company calculates the "PD" and "LGD" used in the impairment assessment of the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and after adjustment of the historical data based on current observable and forward-looking macroeconomic information.

	Account Receivable December 31, 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	$ 20,158,322	$ 115,600	$ 1,110,213	$ -	$ 21,384,045
Less: Allowance for impairment loss	50,434	18,678	93,187	-	162,299
Less: Additional impairment loss required under regulations	-	-	-	44,639	44,639
	$ 20,107,798	$ 96,922	$ 1,017,026	$ 44,639	$ 21,177,107

	Account Receivable December 31, 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	$ 17,048,513	$ 99,394	$ 1,253,721	$ -	$ 18,401,628
Less: Allowance for impairment loss	23,703	17,977	157,800	-	199,480
Less: Additional impairment loss required under regulations	-	-	-	70,666	70,666
	$ 17,024,810	$ 81,417	$ 1,095,921	$ 70,666	$ 18,131,482

	Discounts and Loans December 31, 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	$ 385,403,689	$ 2,015,580	$ 1,529,359	$ -	$ 388,948,628
Less: Allowance for impairment loss	240,125	175,604	372,647	-	788,376
Less: Additional impairment loss required under regulations	-	-	-	3,510,579	3,510,579
	$ 385,163,564	$ 1,839,976	$ 1,156,712	$ 3,510,579	$ 384,649,673

	Discounts and Loans December 31, 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	$ 325,297,553	$ 1,798,887	$ 1,771,899	$ -	$ 328,868,339
Less: Allowance for impairment loss	170,493	162,436	284,614	-	617,543
Less: Additional impairment loss required under regulations	-	-	-	3,235,110	3,235,110
	$ 325,127,060	$ 1,636,451	$ 1,487,285	$ 3,235,110	$ 325,015,686

When the Company estimates the 12-month and lifetime expected credit losses for its loan commitments, it will give different credit conversion factors according to the characteristics of each product. The Company will also take into consideration the amount that is expected to be utilized within 12 months from the reporting date and the expected lifetime of each commitment in determining the default risk amount that is used to calculate the expected credit loss.

The estimation techniques or material assumptions used to assess expected credit losses have not changed significantly during the current period.

14) Consideration of forward-looking information

The Company's credit (including credit card) segments are based on different loan properties, such as corporate banking, consumer finance, credit, car loans and credit cards, and forward-looking model estimates are carried out, based on actual default rates and overall economic variables of each segment in the past quarters. The default rate for the next year is estimated using the credit risk chain model, by estimating the relationship between the default rate and the overall economic variables. The investment function makes reference to external credit ratings in their consideration of forward-looking information.

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, 2019					
	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	$ 5,977,044	$ 1,169,642	$ 3,114,935	$ 1,015,000	$ 584,111	$ 11,860,732
Securities sold under agreements to repurchase	21,683,238	43,444,198	-	250,000	-	65,377,436
Accounts payables	2,165,137	1,299,264	896,265	235,823	18,800	4,615,289
Deposits and remittance	38,378,449	61,742,848	75,966,212	147,981,777	208,829,814	532,899,100
Bank debentures	-	-	-	3,000,000	7,200,000	10,200,000
Bonds payable	-	609,490	-	-	864,368	1,473,858
Other liabilities	2,875,806	2,248,822	156,422	292,640	1,651,453	7,225,143

Further information on the maturity analysis of lease liabilities is as follows:

	December 31, 2019						
	Due in One Year	Due Between after One Year and Five Years	Due Between after Five Years and Ten Years	Due Between after Ten Years and Fifteen Years	Due Between after Fifteen Years and Twenty Years	Due after Twenty Years	Total
Lease liability	$ 368,325	$ 756,042	$ 204,453	$ 98,557	$ 16,370	$ -	$ 1,443,747

	December 31, 2018					
	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	$ 5,727,107	$ 112,912	$ 3,084,709	$ 2,515,000	$ 672,167	$ 12,111,895
Securities sold under agreements to repurchase	21,177,132	23,157,256	-	-	-	44,334,388
Accounts payables	5,392,065	945,378	447,999	208,441	19,539	7,013,422
Deposits and remittance	51,769,939	69,018,051	77,506,669	140,487,058	175,136,358	513,918,075
Bank debentures	-	1,500,000	-	-	8,200,000	9,700,000
Bonds payable	-		-	-	1,480,976	1,480,976
Other liabilities	1,765,555	2,578,607	156,715	327,081	1,574,874	6,402,832

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

	December 31, 2019					
	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	$ 21,333,779	$ 30,830,364	$ 242,689	$ 64,427	$ -	$ 52,471,259
Cash inflow	20,984,823	30,572,337	237,459	64,260	-	51,858,879
	348,956	258,027	5,230	167	-	612,380
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 348,956	$ 258,027	$ 5,230	$ 167	$ -	$ 612,380

	December 31, 2018					
	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	$ 19,774,642	$ 15,840,034	$ 958,437	$ 1,963,020	$ -	$ 38,536,133
Cash inflow	19,613,925	15,779,547	924,443	1,945,498	-	38,263,413
	160,717	60,487	33,994	17,522	-	272,720
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 160,717	$ 60,487	$ 33,994	$ 17,522	$ -	$ 272,720

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

	December 31, 2019					
	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	$ 1,321	$ 2,136	$ 1,617	$ 4,365	$ -	$ 9,439

	December 31, 2018					
	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	$ 662	$ 891	$ 17,062	$ 4,661	$ -	$ 23,276

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 items.

2) Market risk management strategy and processes

The Company 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 Company'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 Company 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 Company'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 2019 and 2018, 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 $373,604 thousand and $380,167 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 Company'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 Company'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 Company's total assets is small, as shown by the immaterial ratio of the IBD's cumulative translation adjustment to the Companies' net worth.

7) Foreign currency rate risk information

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

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

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 2,755,895	30.1060	$ 82,968,979
JPY	17,750,144	0.2770	4,917,518
GBP	204	39.5382	8,071
AUD	2,494	21.1013	52,625
HKD	109,072	3.8660	421,678
CAD	1,545	23.0821	35,671
CNY	770,337	4.3231	3,330,235
SGD	104	22.3654	2,325
ZAR	9,934	2.1380	21,239
CHF	120	31.0595	3,742
THB	460	1.0091	465
NZD	690	20.2674	13,988
EUR	7,982	33.7368	269,290
Financial liabilities			
USD	2,332,778	30.1060	70,230,613
JPY	15,408,879	0.2770	4,268,891
GBP	201	39.5382	7,963
AUD	2,452	21.1013	51,735
HKD	82,007	3.8660	317,043
CAD	1,624	23.0821	37,496
CNY	768,870	4.3231	3,323,895
SGD	71	22.3654	1,599
ZAR	10,481	2.1380	22,409
CHF	120	31.0595	3,728
NZD	512	20.2674	10,385
EUR	9,120	33.7368	307,675

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 2,354,493	30.7330	$ 72,360,624
JPY	18,695,277	0.2784	5,204,373
GBP	137	38.8957	5,344
AUD	1,178	21.6760	25,539
HKD	91,629	3.9240	359,552
CAD	1,405	22.5912	31,750
CNY	872,097	4.4741	3,901,844
SGD	86	22.4854	1,923
ZAR	18,615	2.1291	39,632
CHF	60	31.2074	1,869
THB	430	0.9491	408
NZD	502	20.6249	10,350
EUR	10,666	35.2047	375,496
Financial liabilities			
USD	1,943,738	30.7330	59,736,913
JPY	13,072,151	0.2784	3,639,012
GBP	2,151	38.8957	83,677
AUD	1,220	21.6760	26,434
HKD	73,257	3.9240	287,459
CAD	1,396	22.5912	31,537
CNY	872,724	4.4741	3,904,647
SGD	80	22.4854	1,792
ZAR	18,568	2.1291	39,532
CHF	73	31.2074	2,279
NZD	529	20.6249	10,912
EUR	13,824	35.2047	486,670

f. Transfers of financial assets.

Most of the transferred financial assets of the Company 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 Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Company 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 follows:

December 31, 2019					
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	$ 13,458,214	$ 13,471,704	$ 13,458,214	$ 13,471,704	$ (13,490)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	19,671,156	16,946,258	19,671,156	16,946,258	2,724,898
Financial assets at amortized cost Securities sold under repurchase agreements	44,134,600	34,959,474	45,837,805	34,959,474	10,878,331

December 31, 2018					
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	$ 12,453,108	$ 12,462,948	$ 12,453,108	$ 12,462,948	$ (9,840)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	12,865,389	11,155,357	12,865,389	11,155,357	1,710,032
Financial assets at amortized cost Securities sold under repurchase agreements	28,655,857	20,716,083	28,844,548	20,716,083	8,128,465

g. Offsetting financial assets and financial liabilities.

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheets 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 sheets or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2019						
Financial Assets	**Gross Amount of Recognized Financial Assets (a)**	**Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)**	**Net Amount of Financial Assets Presented in the Balance Sheets (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheets (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instrument	**Cash Collateral Pledged**	
Derivatives	$ 268,446	$ -	$ 268,446	$ 6,490	$ -	$ 261,956

December 31, 2019						
Financial Liabilities	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)**	**Net Amount of Financial Liabilities Presented in the Balance Sheets (c)=(a)(b)**	**Related Amount Not Offset in the Balance Sheets (d)**		**Net Amount (e)=(c)(d)**
				Financial instrument	**Cash Collateral Pledged**	
Derivatives	$ 650,981	$ -	$ 650,981	$ 82,775	$ -	$ 568,206

December 31, 2018						
Financial Assets	**Gross Amount of Recognized Financial Assets (a)**	**Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)**	**Net Amount of Financial Assets Presented in the Balance Sheets (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheets (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instrument	**Cash Collateral Pledged**	
Derivatives	$ 516,104	$ -	$ 516,104	$ 96,760	$ -	$ 419,344

December 31, 2018						
Financial Liabilities	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)**	**Net Amount of Financial Liabilities Presented in the Balance Sheets (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheets (d)**		**Net Amount (e)=(c)-(d)**
				Financial instrument	**Cash Collateral Pledged**	
Derivatives	$ 307,799	$ -	$ 307,799	$ 12,320	$ -	$ 295,479

51. 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.

c. Capital adequacy

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

Items (Note 2)		Year	December 31, 2019	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common equity Tier 1 Ratio		$ 37,440,298	$ 37,013,051
	Other Tier 1 capital		11,559,375	12,506,259
	Tier 2 capital		6,347,470	9,685,896
	Eligible capital		55,347,143	59,205,206
Risk-weighted assets	Credit risk	Standard	332,422,791	343,086,746
		Internal rating-based approach	-	-
		Asset securitization	700,692	700,692
	Operational risk	Basic indicator approach	19,966,470	23,560,822
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	23,513,386	24,423,653
		Internal model approach	-	-
	Total risk-weighted assets		376,603,339	391,771,913
Capital adequacy rate			14.70%	15.11%
Ratio of common stockholders’ equity to risk-weighted assets			9.94%	9.45%
Ratio of Tier 1 capital to risk-weighted assets			13.01%	12.64%
Leverage ratio			6.53%	6.52%

Items (Note 2)		Year	December 31, 2018	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common equity Tier 1 Ratio		$ 33,172,535	$ 32,575,667
	Other Tier 1 capital		11,720,972	12,496,555
	Tier 2 capital		4,310,985	7,313,533
	Eligible capital		49,204,492	52,385,755
Risk-weighted assets	Credit risk	Standard	289,969,304	300,008,530
		Internal rating-based approach	-	-
		Asset securitization	2,343,167	2,343,167
	Operational risk	Basic indicator approach	18,656,113	22,156,450
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	32,534,371	33,506,790
		Internal model approach	-	-
	Total risk-weighted assets		343,502,955	358,014,937
Capital adequacy rate			14.32%	14.63%
Ratio of common stockholders’ equity to risk-weighted assets			9.66%	9.10%
Ratio of Tier 1 capital to risk-weighted assets			13.07%	12.59%
Leverage ratio			6.48%	6.42%

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 maintains its unconsolidated and consolidated CARs at a minimum of 10.5%, the Tier 1 Capital Ratio at a minimum of 8.5% and the Common Equity Tier 1 Ratio at a minimum of 7.0%. In addition, if the Bank's CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

52. 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 Note 50 and Table 4.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2019			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Company H - retail of other food and beverages	$ 1,863,000	3.31
2	Company B - other financial intermediation	1,734,111	3.08
3	Group U - real estate development	1,708,700	3.04
4	Company F - gas station	1,668,136	2.97
5	Company S - automotive Manufacturing	1,505,300	2.68
6	Company E - cable television	1,126,451	2.00
7	Company M - sporting and athletic articles manufacturing	874,000	1.55
8	Company C - instant food manufacturing	849,892	1.51
9	Company O - real estate development	752,650	1.34
10	Company K - other financial, insurance and real estate	750,000	1.33

(In Thousands of New Taiwan Dollars, %)

December 31, 2018			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Company B - other financial intermediation	$ 1,822,167	3.66
2	Group U - real estate development	1,458,700	2.93
3	Company H - retail of other food and beverages	1,434,000	2.88
4	Company T - real estate development	1,172,543	2.35
5	Company Z - real estate development	932,000	1.87
6	Company W - real estate development	930,000	1.87
7	Company K - other financial, insurance and real estate	815,000	1.64
8	Company C - instant food manufacturing	779,730	1.57
9	Company Q - telecommunications	759,566	1.52
10	Company M - sporting and athletic articles manufacturing	705,000	1.42

b. Market risk

Interest Rate Sensitivity
December 31, 2019

(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	$ 487,276,944	$ 5,795,273	$ 14,257,749	$ 54,605,447	$ 561,935,413
Interest rate-sensitive liabilities	276,366,269	185,995,639	64,178,888	23,014,898	549,555,694
Interest rate-sensitive gap	210,910,675	(180,200,366)	(49,921,139)	31,590,549	12,379,719
Net worth					54,385,473
Ratio of interest rate-sensitive assets to liabilities					102.25%
Ratio of interest rate sensitivity gap to net worth					22.76%

December 31, 2018

(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	$ 457,294,541	$ 5,064,654	$ 9,732,667	$ 42,968,957	$ 515,060,819
Interest rate-sensitive liabilities	265,564,886	170,310,303	57,553,564	19,103,321	512,532,074
Interest rate-sensitive gap	191,729,655	(165,245,649)	(47,820,897)	23,865,636	2,528,745
Net worth					50,030,191
Ratio of interest rate-sensitive assets to liabilities					100.49%
Ratio of interest rate sensitivity gap to net worth					5.05%

Note 1: The above amounts included only the New Taiwan dollar 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, 2019

(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	$ 1,803,811	$ 208,307	$ 158,745	$ 2,353,718	$ 4,524,581
Interest rate-sensitive liabilities	2,186,417	384,781	504,069	432,092	3,507,359
Interest rate-sensitive gap	(382,606)	(176,474)	(345,324)	1,921,626	1,017,222
Net worth					90,557
Ratio of interest rate-sensitive assets to liabilities					129.00%
Ratio of interest rate sensitivity gap to net worth					1,123.29%

December 31, 2018

(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	$ 1,369,796	$ 91,924	$ 269,795	$ 1,754,345	$ 3,485,860
Interest rate-sensitive liabilities	1,560,799	387,164	407,730	334,579	2,690,272
Interest rate-sensitive gap	(191,003)	(295,240)	(137,935)	1,419,766	795,588
Net worth					26,474
Ratio of interest rate-sensitive assets to liabilities					129.57%
Ratio of interest rate sensitivity gap to net worth					3,005.17%

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, 2019	Year Ended December 31, 2018
Return on total assets	Before income tax	0.60	0.57
	After income tax	0.50	0.49
Return on common equity	Before income tax	8.22	8.61
	After income tax	6.70	7.28
Net income ratio		24.31	23.21

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, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2019

(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	$ 618,783,183	$ 153,846,953	$ 58,053,755	$ 42,402,390	$ 86,341,158	$ 278,138,927
Main capital outflow on maturity	718,840,408	82,162,339	102,869,688	97,317,383	182,098,850	254,392,148
Gap	(100,057,225)	71,684,614	(44,815,933)	(54,914,993)	(95,757,692)	23,746,777

December 31, 2018

(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	$ 576,751,774	$ 178,305,659	$ 42,949,727	$ 43,346,518	$ 73,322,794	$ 238,827,076
Main capital outflow on maturity	662,529,252	91,088,874	93,951,174	89,290,503	169,096,433	219,102,268
Gap	(85,777,478)	87,216,785	(51,001,447)	(45,943,985)	(95,773,639)	19,724,808

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, 2019

(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	$ 4,660,738	$ 795,250	$ 1,073,236	$ 218,610	$ 159,193	$ 2,414,179
Main capital outflow on maturity	4,650,739	1,045,685	1,759,373	424,397	572,968	848,316
Gap	9,999	(250,165)	(686,137)	(205,787)	(413,775)	1,565,863

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,704,232	$ 757,570	$ 775,038	$ 99,150	$ 270,012	$ 1,802,462
Main capital outflow on maturity	3,643,476	771,552	1,249,752	430,144	504,897	687,131
Gap	60,756	(13,982)	(474,714)	(330,994)	(234,885)	1,115,331

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).

53. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On July 5 and December 27, 2019 the Company acquired from non-controlling interests an additional 64.44% and 0.16% shares of USITC, respectively, which increased its continuing interest from 35% to 99.60%.

The above transaction was accounted for as equity transaction, since the Company did not cease to have control over the subsidiary.

	USITC
Cash consideration paid	$ 264,909
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(256,106)
Reattribution of other equity from non-controlling interests	
Unrealized loss on financial assets at fair value through other comprehensive income	(2,105)
Differences arising from equity transaction (reduction in retained earnings)	$ 6,698

54. 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 or disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: None

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

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

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

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

9) Sale of nonperforming loans: None

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

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

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

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

c. Intercompany relationships and significant intercompany transactions.

The detailed information of intercompany relationships and significant intercompany transactions are referred to Table 6 (attached).

55. 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, 2019						
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	Total
Net interest (Note)	$ 1,479,760	$ 3,309,566	$ (553)	$ 823,952	$ (84,581)	$ 1,221,478	$ 6,749,622
Net commissions and fees revenues	172,132	1,209,064	1,022,424	132,212	(841)	181,855	2,716,846
Net revenues other than interest	150,698	(6,274)	14,341	1,082,208	2,329,062	829,679	4,399,714
Total net revenues	1,802,590	4,512,356	1,036,212	2,038,372	2,243,640	2,233,012	13,866,182
Provisions (reversal)	(73,346)	64,991	-	(599)	5,092	244,537	240,675
Operating expenses	814,129	2,925,636	558,152	183,552	2,094,046	3,022,536	9,598.051
Income before income tax	$ 1,061,807	$ 1,521,729	$ 478,060	$ 1,855,419	$ 144,502	$ (1,034,061)	$ 4,027,456

	For the Year Ended December 31, 2018						
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	Total
Net interest (Note)	$ 1,350,810	$ 2,974,407	$ (530)	$ 1,156,591	$ (89,397)	$ 1,505,986	$ 6,897,867
Net commissions and fees revenues	148,310	955,896	1,007,183	117,382	(387)	194,468	2,422,852
Net revenues other than interest	120,617	(5,257)	2,666	219,223	2,336,574	737,779	3,411,602
Total net revenues	1,619,737	3,925,046	1,009,319	1,493,196	2,246,790	2,438,233	12,732,321
Provisions (reversal)	(108,483)	121,368	-	(22,610)	1,594	301,710	293,579
Operating expenses	757,403	2,585,579	550,824	187,601	2,069,110	2,811,641	8,962,158
Income before income tax	$ 970,817	$ 1,218,099	$ 458,495	$ 1,328,205	$ 176,086	$ (675,118)	$ 3,476,584

Note: Include interest revenue of financial assets at fair value through profit or loss.

TABLE 1

UNION BANK OF TAIWAN AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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.	Receivables of affiliates	$ 2,216,328 (JPY 8,000,000)	$ 2,216,328 (JPY 8,000,000)	$ 1,796,674 (JPY 5,639,163) (US$ 7,453)	1.50	Business transaction	$ 2,216,328 (JPY 8,000,000)	-	$ -	-	$ -	$ 2,973,851	$ 2,973,851
2	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Receivables of affiliates	1,025,052 (JPY 3,700,000)	1,025,052 (JPY 3,700,000)	727,849 (JPY 2,627,225)	1.50	Business transaction	1,025,052 (JPY 3,700,000)	-	-	-	-	2,973,851	2,973,851
		Uflc Capital (Singapore) Holding Pte. Ltd.	Receivables of affiliates	1,800,707 (JPY 6,500,000)	1,800,707 (JPY 6,500,000)	1,530,321 (JPY 5,523,808)	1.50	Business transaction	1,800,707 (JPY 6,500,000)	-	-	-	-	2,973,851	2,973,851
3	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	526,378 (JPY 1,900,000)	526,378 (JPY 1,900,000)	406,105 (JPY 1,465,865)	2.75	Business transaction	526,378 (JPY 1,900,000)	-	-	-	-	2,973,851	2,973,851
4	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	914,235 (JPY 3,300,000)	914,235 (JPY 3,300,000)	791,092 (JPY 2,855,504)	2.75	Business transaction	914,235 (JPY 3,300,000)	-	-	-	-	2,973,851	2,973,851

UNION BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	Stock							
	Shin Kong Financial Holdings	-	Financial assets at fair value through other comprehensive income	921	$ 9,531	0.007	$ 9,531	
	China Chemical Corporation	-	Financial assets at fair value through other comprehensive income	356	6,861	0.12	6,861	
	Hey-Song Corporation	-	Financial assets at fair value through other comprehensive income	4,551	148,135	1.13	148,135	
	ERA Communications Co., Ltd.	-	Financial assets at fair value through other comprehensive income	425	1,415	0.33	1,415	
	Beneficiary certificates							
	Union Advantage Global FI Portfolio Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	6,114	100,828		100,828	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	854	22,653		22,653	
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,019	30,300	14.38	30,300	
	Greenway Technology Co., Ltd.		Financial assets at fair value through other comprehensive income	1,100	17,600	2.82	17,600	
Union Securities Investment Trust (USITC)	Stock							
	Fundrish Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	566	4,781	0.94	4,781	
	Beneficiary certificates							
	Union Advantage Global FI Portfolio Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,068	17,607		17,607	
	Union Emerging Asia Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	486	5,615		5,615	
	Union Money Market	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,230	16,308		16,308	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	144	3,834		3,834	
	Union China	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	253	7,560		7,560	

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Union Technology Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	365	$ 5,480		$ 5,480	
	Union APEC Balanced A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,001	13,091		13,091	
	Union Asian High Yield Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	2,300	24,317		24,317	
	Union ASHLIC Thematic Fund A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	93	1,001		1,001	
	Union Global Balanced Fund A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	417	4,675		4,675	
Union Finance International (HK) Limited	Bond							
	HBOS Capital Funding LP	-	Financial assets at fair value through profit or loss	900 unit	US$ 920		US$ 920	
	Stock							
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	5	US$ 1,587		US$ 1,587	
	Obsidian	-	Financial assets at fair value through other comprehensive income	17	US$ 12		US$ 12	
	Mr.Cooper Group Inc.	-	Financial assets at fair value through other comprehensive income	1	US$ 18		US$ 18	
	Paypal Holdiing Inc.			2	US$ 216		US$ 216	
	Johnson & Johnson	-	Financial assets at fair value through other comprehensive income	3	US$ 438		US$ 438	
New Asian Ventures Ltd.	Stock							
	Grace T.H.W. Holding Limited	-	Financial assets at fair value through other comprehensive income	1,667	55,281	0.81	55,281	

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(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	$ 1,786,674 (JPY 5,639,163) (US$ 7,453)	-	$ -	-	$ -	$ -
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Subsidiary	727,849 (JPY 2,627,225)	-	-	-	-	-
	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	1,530,321 (JPY 5,523,808)	-	-	-	-	-
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	406,105 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	791,092 (JPY 2,855,504)	-	-	-	-	-

TABLE 4

UNION BANK OF TAIWAN AND SUBSIDIARIES

ASSET QUALITY - NONPERFORMING LOANS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)

<table>
<tr><th colspan="3">Period</th><th colspan="5">December 31, 2019</th><th colspan="5">December 31, 2018</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><th>Nonperforming Loans (Note 1)</th><th>Loans</th><th>Ratio of Nonperforming Loans (Note 2)</th><th>Allowance for Credit Losses</th><th>Coverage Ratio (Note 3)</th></tr>
<tr><td rowspan="2">Corporate banking</td><td colspan="2">Secured</td><td>$ 264,677</td><td>$ 105,089,682</td><td>0.25%</td><td rowspan="2">$ 1,609,158</td><td rowspan="2">464.60%</td><td>$ 156,712</td><td>$ 95,065,830</td><td>0.16%</td><td rowspan="2">$ 1,453,468</td><td rowspan="2">773.71%</td></tr>
<tr><td colspan="2">Unsecured</td><td>81,673</td><td>65,572,028</td><td>0.12%</td><td>31,144</td><td>40,811,740</td><td>0.08%</td></tr>
<tr><td rowspan="5">Consumer banking</td><td colspan="2">Housing mortgage (Note 4)</td><td>113,546</td><td>169,441,368</td><td>0.07%</td><td>2,132,294</td><td>1,877.91%</td><td>109,406</td><td>151,086,376</td><td>0.07%</td><td>1,896,091</td><td>1,733.08%</td></tr>
<tr><td colspan="2">Cash card</td><td>613</td><td>22,454</td><td>2.73%</td><td>4,407</td><td>718.92%</td><td>361</td><td>32,021</td><td>1.13%</td><td>615</td><td>170.36%</td></tr>
<tr><td colspan="2">Small-scale credit loans (Note 5)</td><td>96,288</td><td>29,698,095</td><td>0.32%</td><td>331,493</td><td>344.27%</td><td>77,149</td><td>23,240,769</td><td>0.33%</td><td>281,206</td><td>364.50%</td></tr>
<tr><td rowspan="2">Other (Note 6)</td><td>Secured</td><td>16,482</td><td>18,483,090</td><td>0.09%</td><td rowspan="2">221,603</td><td rowspan="2">1,331.51%</td><td>26,303</td><td>18,025,996</td><td>0.15%</td><td rowspan="2">221,273</td><td rowspan="2">830.76%</td></tr>
<tr><td>Unsecured</td><td>161</td><td>2,376,022</td><td>0.01%</td><td>332</td><td>2,427,774</td><td>0.01%</td></tr>
<tr><td colspan="3">Loan</td><td>573,440</td><td>390,682,739</td><td>0.15%</td><td>4,298,955</td><td>749.68%</td><td>401,407</td><td>330,690,506</td><td>0.12%</td><td>3,852,653</td><td>959.79%</td></tr>
<tr><th colspan="3"></th><th>Nonperforming Receivables (Note 1)</th><th>Receivables</th><th>Ratio of Nonperforming Receivables (Note 2)</th><th>Allowance for Credit Losses</th><th>Coverage Ratio (Note 3)</th><th>Nonperforming Receivables (Note 1)</th><th>Receivables</th><th>Ratio of Nonperforming Receivables (Note 2)</th><th>Allowance for Credit Losses</th><th>Coverage Ratio (Note 3)</th></tr>
<tr><td colspan="3">Credit cards</td><td>36,959</td><td>16,237,934</td><td>0.23%</td><td>159,838</td><td>432.47%</td><td>40,017</td><td>14,922,631</td><td>0.27%</td><td>156,828</td><td>391.90%</td></tr>
<tr><td colspan="3">Accounts receivable factored without recourse</td><td>-</td><td>443,208</td><td>-</td><td>4,432</td><td>-</td><td>-</td><td>183,566</td><td>-</td><td>1,836</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, in 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.

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types \ Items	December 31, 2019		December 31, 2018	
	Not Reported as Nonperforming Loan	**Not Reported as Nonperforming Receivable**	**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)	$ 21,195	$ 96,575	$ 30,402	$ 133,133
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	136,314	738,307	95,253	740,983
Total	157,509	834,882	125,655	874,116

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, 2019
(In Thousands of New Taiwan Dollars)

Invest company	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)	Total Percentage of Ownership (%)	
Union bank of Taiwan	Financial - related										
	Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	$ 2,973,739	$ 105,095	144,000	-	144,000	100.00	Note 1
	Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	104,186	36,719	30,000	-	30,000	99.99	Note 1
	Union Securities Investment Trust Corporation	Taipei	Securities investment trust	99.60	388,935	500	29,879	-	29,879	35.00	Note 1
	Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution, system programming development, system development outsourcing, website design, e-commerce, etc.	99.99	20,832	(964)	1,000	-	1,000	99.99	Note 1
	Union Venture Capital Corporation	Taipei	Venture Investment	100.00	299,846	(154)	30,000	-	30,000		
	Ipass Corporation	Kaohsiung	IC card	11.40	84,205	-	13,000	-	13,000	11.40	
	Taiwan Gin Lian Asset Management Corporation	Taipei	Purchase, sale and management of nonperforming loans from financial institutions	0.57	77,077	-	6,000	-	6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	48,244	-	5,000	-	5,000	2.94	
	Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53	18,011	-	2,103	-	2,103	0.53	
	Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44	4,497	-	386	-	386	6.44	
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	7,015	-	160	-	160	0.81	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.47	294,550	-	12,875	-	12,875	2.47	
	Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	59,862	-	945	-	945	0.25	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	439,293	-	7,216	-	7,216	2.04	
	Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	3,361	-	600	-	600	1.00	
	LINE BIZ+ Taiwan., Ltd	Taipei	Data processing, digital information supply and third party payment services	10.00	1,534,969	(35,661)	5,471	-	5,471	10.00	Note 1
	Nonfinancial - related										
	Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	52,513	(319)	2,000	-	2,000	40.00	
	Fu Hua Venture Corporation	Taipei	Investments	5.00	2,911	-	260	-	260	5.00	
	Li Yu Venture Corporation	Taipei	Investment	4.76	3,779	-	558	-	558	4.76	
	Lian An Service Corporation	Taipei	Security service	5.00	1,526	-	125	-	125	5.00	
	Taiwan Power Corporation	Taipei	Electricity-related business	0.0012	3,388	-	395	-	395	0.0012	
Union Finance and Leasing International Corporation	Nonfinancial - related										
	Union Capital (Cayman) Corp	Cayman	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	642,919	65,097	50	-	50	100.00	
	New Asian Ventures Ltd.	BVI	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	77,515	(62)	-	-	-	100.00	
Union Capital (Cayman) Corp.	Nonfinancial - related										
	Union Capital (Singapore) Holding Pte. Ltd.	Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	51,493 (JPY 185,866)	21,226 (JPY 74,874)	-	-	-	100.00	Note 3
	Uflc Capital (Singapore) Holding Pte. Ltd.	Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	62,786 (JPY 226,632)	28,945 (JPY 102,100)	-	-	-	100.00	Note 3

(Continued)
(Concluded)

Invest company	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 (%)	
Union Capital (Singapore) Holding Pte. Ltd.	Nonfinancial - related										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	30.55	$ 133,386 (JPY 481,467)	$ 2,348 (JPY 8,281)	9	-	9	30.55	Note 3
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	49.00	213,716 (JPY 771,424)	20,035 (JPY 70,674)	Note 5	-	Note 5	49.00	Note 3
Kabushiki Kaisha UCJ1	Nonfinancial - related										
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	51.00	222,425 (JPY 802,858)	20,853 (JPY 73,558)	Preferred stock 15	-	Preferred stock 15	51.00	Note 3
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	51.00	272,691 (JPY 984,300)	16,987 (JPY 59,920)	Preferred stock 20	-	Preferred stock 20	51.00	Note 3
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	51.00	183,678 (JPY 663,000)	13,206 (JPY 46,584)	Preferred stock 13	-	Preferred stock 13	51.00	Note 3
Uflc Capital (Singapore) Holding Pte. Ltd.	Nonfinancial - related										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	69.45	303,248 (JPY 1,094,597)	5,337 (JPY 18,827)	21	-	21	69.45	Note 3
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	49.00	262,012 (JPY 945,750)	16,321 (JPY 57,570)	Note 6	-	Note 6	49.00	Note 3
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	49.00	176,489 (JPY 637,050)	12,688 (JPY 44,757)	Note 4	-	Note 4	49.00	Note 3

Note 1: Expect for LINE BIZ+ Taiwan., Ltd, the investees' information shown above is based on audited financial reports as of December 31, 2018.

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.

Note 3: Union Capital (Singapore) Holding Pte. Ltd., Uflc Capital (Singapore) Holding Pte. Ltd. and Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 - the audited statements of stockholders' equity as of September 30, 2019. Kabushiki Kaisha UCJ1 - unaudited statements of stockholders' equity as of September 30, 2019.

Note 4: Refers to 1 share of common stock and 13 thousand shares of preferred stock.

Note 5: Refers to 1 share of common stock and 14 thousand shares of preferred stock.

Note 6: Refers to 1 share of common stock and 19 thousand shares of preferred stock.

(Concluded)

TABLE 6

UNION BANK OF TAIWAN AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

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	$ 165,915	Note 4	0.02
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - checking deposits	18,675	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - time deposits	56,563	Note 4	0.01
1	UFLIC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	241,153	Note 4	0.03
0	The Bank	UFLIC and its subsidiaries	a	Discounts and loans	1,734,111	Note 4	0.25
1	UFLIC and its subsidiaries	The Bank	b	Due from banks	1,734,111	Note 4	0.25
0	The Bank	UFLIC and its subsidiaries	a	Other operating expenses	11,226	Note 4	0.08
1	UFLIC and its subsidiaries	The Bank	b	Rental revenue	11,226	Note 4	0.08
0	The Bank	UFLIC and its subsidiaries	a	Interest revenue	32,784	Note 4	0.24
1	UFLIC and its subsidiaries	The Bank	b	Interest expense	32,784	Note 4	0.24
0	The Bank	UFLIC and its subsidiaries	a	Exchange loss	7,436	Note 4	0.05
1	UFLIC and its subsidiaries	The Bank	b	Exchange gain	7,436	Note 4	0.05
0	The Bank	Union Finance International (H.K.) Limited	a	Deposits and remittances - demand deposits	1,417	Note 4	-
2	Union Finance International (H.K.) Limited	The Bank	b	Call loans and due to other banks - call loans from banks	1,417	Note 4	-
0	The Bank	UIT	a	Deposits and remittances - demand deposits	6,596	Note 4	-
3	UIT	The Bank	b	Call loans and due to other banks - call loans from banks	6,596	Note 4	-
0	The Bank	UIT	a	Other assets	31,375	Note 4	-
3	UIT	The Bank	b	Other liabilities	31,375	Note 4	-
0	The Bank	UIT	a	Accrued payables - expense	8,382	Note 4	-
3	UIT	The Bank	b	Receivables - accounts receivables	8,382	Note 4	-
0	The Bank	UIT	a	Other operating expenses	127,815	Note 4	0.92
3	UIT	The Bank	b	Net revenues other than interest	127,815	Note 4	0.92
0	The Bank	USITC	a	Deposits and remittances - demand deposits	11,868	Note 4	-
0	The Bank	USITC	a	Deposits and remittances - time deposits	29,700	Note 4	-
4	USITC	The Bank	b	Call loans and due to other banks - call loans from banks	41,568	Note 4	0.01
0	The Bank	USITC	a	Deposits and remittances - time deposits	168,600	Note 4	0.02
4	USITC	The Bank	b	Other financial assets	168,600	Note 4	0.02
0	The Bank	USITC	a	Interest expense	2,131	Note 4	0.02
4	USITC	The Bank	b	Interest revenue	2,131	Note 4	0.02
0	The Bank	USITC	a	Commissions and fee revenue	18,363	Note 4	0.13
4	USITC	The Bank	b	Commissions and fee expense	18,363	Note 4	0.13
5	UFLIC and its subsidiaries	UIT	c	Other operating expenses	2,400	Note 4	0.02
3	UIT	UFLIC	c	Net revenues other than interest	2,400	Note 4	0.02
5	UFLIC and its subsidiaries	Union Capital (Cayman) Corp.	c	Receivables - receivables from related parties	1,801,873	Note 4	0.26
6	Union Capital (Cayman) Corp.	UFLIC	c	Payables - payables to related parties	1,801,873	Note 4	0.26
5	UFLIC	Union Capital (Cayman) Corp.	c	Interest revenue	27,947	Note 4	0.20

(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)
6	Union Capital (Cayman) Corp.	UFLIC	c	Interest expense	$ 27,947	Note 4	0.20
6	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding PTE. Ltd.	c	Receivables - receivables from related parties	728,986	Note 4	0.10
7	Union Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	728,986	Note 4	0.10
6	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Receivables - receivables from related parties	1,543,151	Note 4	0.22
8	Uflc Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	1,543,151	Note 4	0.22
6	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding PTE. Ltd.	c	Interest revenue	11,172	Note 4	0.08
7	Union Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Interest expense	11,172	Note 4	0.08
6	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Interest revenue	23,499	Note 4	0.17
7	Union Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Interest expense	23,499	Note 4	0.17
7	Union Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	406,472	Note 4	0.06
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding PTE. Ltd.	c	Payables - payables to related parties	406,472	Note 4	0.06
8	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	797,763	Note 4	0.11
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Payables - payables to related parties	797,763	Note 4	0.11
6	Union Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	11,428	Note 4	0.08
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding PTE. Ltd.	c	Interest expense	11,428	Note 4	0.08
8	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	22,262	Note 4	0.16
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Interest expense	22,262	Note 4	0.16

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 at the end of the year 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.

Note 5: Referring to transactions exceeding $100,000 thousand.

(Concluded)