Union Bank of Taiwan

Financial Statements for the
Years Ended December 31, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 are described as follows:

Assessment of the Impairment of Discounts and Loans

As of December 31, 2020, the net amount of discounts and loans of the Bank was represented approximately 57% 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 by making 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, 2020.

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 the classification of credit assets required by the relevant regulations on making 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. We obtained an understanding of the relevant internal controls in respect of the Bank's loan impairment assessment and tested the operating effectiveness of such controls.

2. We tested the classification of credit assets in accordance with relevant regulations issued by management and authorities. In addition, we evaluated the reasonableness of the adjustments to the classification.

3. We assessed the reasonableness and consistency of the methodology applied by management in the calculation of expected credit losses; we tested the completeness of the loans and the accuracy of the calculation of expected credit losses for selected loans.

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, 2020 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 audits resulting in this independent auditors' report are Jui-Chan Huang and Chen-Hsiu Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2021

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 8,141,334	1	$ 10,937,284	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 43)	24,325,798	3	17,344,886	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	33,967,730	5	30,599,774	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9 and 11)	52,807,395	7	40,962,420	6
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 11)	90,697,662	12	104,170,149	15
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	63,872,973	9	51,360,225	8
RECEIVABLES, NET (Notes 4, 5, 13 and 15)	22,703,290	3	20,432,902	3
CURRENT TAX ASSETS (Note 4)	44,382	-	49,185	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14, 15 and 42)	424,304,969	57	386,383,784	56
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 16)	5,863,071	1	5,375,020	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 17 and 43)	4,471,836	1	3,520,128	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	7,892,451	1	7,945,393	1
RIGHT-OF-USE ASSETS (Notes 4 and 19)	1,639,260	-	1,361,636	-
INTANGIBLE ASSETS (Notes 4 and 20)				
Goodwill	1,985,307	-	1,985,307	-
Computer software	170,823	-	142,872	-
Total intangible assets	2,156,130	-	2,128,179	-
DEFERRED TAX ASSETS (Notes 4 and 40)	636,906	-	540,779	-
OTHER ASSETS, NET (Notes 4, 21, 29, 42 and 44)	2,751,600	-	3,267,302	-
TOTAL	$ 746,276,787	100	$ 686,379,046	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 22)	$ 11,942,863	2	$ 11,300,923	2
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 23)	3,786,720	1	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	206,002	-	650,981	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4 and 24)	44,428,176	6	65,377,436	10
PAYABLES (Notes 25 and 42)	5,430,396	1	4,519,286	1
CURRENT TAX LIABILITIES (Note 4)	106,676	-	364,806	-
DEPOSITS AND REMITTANCES (Notes 26 and 42)	608,269,514	81	533,655,963	78
BANK DEBENTURES (Notes 4 and 27)	7,200,000	1	10,200,000	1
OTHER FINANCIAL LIABILITIES	115,361	-	111	-
PROVISIONS (Notes 4, 15 and 28)	244,939	-	249,967	-
LEASE LIABILITIES (Notes 4, 19 and 42)	1,621,207	-	1,338,560	-
DEFERRED TAX LIABILITIES (Notes 4 and 40)	1,635,842	-	1,569,639	-
OTHER LIABILITIES (Notes 30, 42 and 44)	1,098,256	-	903,073	-
Total liabilities	686,085,952	92	630,130,745	92
EQUITY				
Share capital				
Ordinary shares	30,933,688	4	28,844,553	4
Preference shares	2,000,000	-	2,000,000	-
Total share capital	32,933,688	4	30,844,553	4
Capital surplus	8,040,035	1	8,035,484	1
Retained earnings				
Legal reserve	7,883,630	1	6,875,793	1
Special reserve	627,440	-	627,440	-
Unappropriated earnings	4,854,972	1	5,180,139	1
Total retained earnings	13,366,042	2	12,683,372	2
Other equity	5,851,070	1	4,684,892	1
Total equity	60,190,835	8	56,248,301	8
TOTAL	$ 746,276,787	100	$ 686,379,046	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, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST (Notes 4, 32 and 42)					
Interest revenue	$ 11,858,192	98	$ 12,023,379	103	(1)
Interest expense	4,158,730	34	5,459,519	47	(24)
Net interest	7,699,462	64	6,563,860	56	17
NET REVENUE OTHER THAN INTEREST					
Commissions and fee revenue, net (Notes 4 and 33)	2,869,110	24	2,777,365	24	3
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 34)	1,710,809	14	1,411,067	12	21
Realized gain on financial assets at fair value through other comprehensive income (Note 35)	407,220	3	336,640	3	21
Share of profit of subsidiaries and associates (Notes 4 and 16)	25,788	-	105,216	1	(75)
Foreign exchange gain (loss), net (Note 4)	(946,549)	(8)	363,269	3	(361)
Reversal of impairment loss (impairment loss) on assets (Notes 4 and 36)	128,860	1	(42,921)	-	400
Securities brokerage fee revenue, net	171,805	2	98,868	1	74
Loss on disposal of properties and equipment, net (Note 4)	(7,119)	-	(3,427)	-	108
Other noninterest gain, net	19,109	-	50,419	-	(62)
TOTAL NET REVENUE	12,078,495	100	11,660,356	100	4
PROVISIONS (Notes 4, 5 and 15)					
Provision of allowance for doubtful accounts and provision for losses on commitments and guarantees	267,216	2	235,584	2	13

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefit expense (Notes 4, 29, 37 and 42)	$ 3,695,508	31	$ 3,588,081	31	3
Depreciation and amortization (Notes 4 and 38)	753,311	6	809,417	7	(7)
Others (Notes 39 and 42)	3,512,000	29	3,052,907	26	15
Total operating expenses	7,960,819	66	7,450,405	64	7
INCOME BEFORE INCOME TAX	3,850,460	32	3,974,367	34	(3)
INCOME TAX EXPENSE (Notes 4 and 40)	408,751	4	614,910	5	(34)
NET INCOME	3,441,709	28	3,359,457	29	2
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	11,842	-	172,852	2	(93)
Unrealized gain on investments in equity instrument at fair value through other comprehensive income	812,340	7	2,247,568	19	(64)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(39,030)	-	1,000	-	(4,003)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 40)	(109,493)	(1)	(334,744)	(3)	(67)
Items that will not be reclassified subsequently to profit or loss, net of income tax	675,659	6	2,086,676	18	(68)

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of the financial statements of foreign operations	$ (625,885)	(5)	$ (227,061)	(2)	176
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	14,117	-	(9,459)	-	249
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	1,005,636	8	1,604,564	14	(37)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 40)	125,177	1	45,412	-	176
Items that may be reclassified subsequently to profit or loss, net of income tax	519,045	4	1,413,456	12	(63)
Other comprehensive income for the year, net of income tax	1,194,704	10	3,500,132	30	(66)
TOTAL COMPREHENSIVE INCOME	$ 4,636,413	38	$ 6,859,589	59	(32)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 41)					
Basic	$0.96		$0.93		
Diluted	$0.96		$0.93		

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Share Capital (Notes 31 and 37)			Capital Surplus (Note 31)	Retained Earnings (Notes 4 and 31)				Other Equity (Notes 4 and 31)			
	Ordinary Shares	Preference Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE AT JANUARY 1, 2019	$ 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
Appropriation of the 2019 earnings												
Legal reserve	-	-	-	-	1,007,837	-	(1,007,837)	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(288,446)	(288,446)	-	-	-	(288,446)
Stock dividends on common shares	2,019,119	-	2,019,119	-	-	-	(2,019,119)	(2,019,119)	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(480,000)	(480,000)	-	-	-	(480,000)
Net income for the year ended December 31, 2020	-	-	-	-	-	-	3,441,709	3,441,709	-	-	-	3,441,709
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	6,144	6,144	(486,591)	1,675,151	1,188,560	1,194,704
Share-based payment	70,016	-	70,016	4,551	-	-	-	-	-	-	-	74,567
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	22,382	22,382	-	(22,382)	(22,382)	-
BALANCE AT DECEMBER 31, 2020	$ 30,933,688	$ 2,000,000	$ 32,933,688	$ 8,040,035	$ 7,883,630	$ 627,440	$ 4,854,972	$ 13,366,042	$ (1,091,223)	$ 6,942,293	$ 5,851,070	$ 60,190,835

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,850,460	$ 3,974,367
Adjustments for:		
Depreciation expense	677,907	726,896
Amortization expense	75,404	82,521
Expected credit losses/provision of allowance for doubtful accounts	267,216	235,584
Gain on disposal of financial assets at fair value through profit or loss	(1,656,347)	(1,375,876)
Interest expense	4,158,730	5,459,519
Interest revenue	(11,858,192)	(12,023,379)
Dividend income	(446,311)	(347,509)
Share of profit of subsidiaries and associates	(25,788)	(105,216)
Loss on disposal of properties and equipment	7,119	3,427
Gain on disposal of investments	(15,371)	(24,322)
Impairment loss (reversed) recognized on financial assets	(122,109)	63,106
Reversal of impairment losses on nonfinancial asset	(6,751)	(20,185)
Gain on disposal of collaterals	(256)	(43,640)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(7,457,990)	6,069,171
Financial assets at fair value through profit or loss	(1,372,342)	8,381,253
Financial assets at fair value through other comprehensive income	(9,992,508)	(3,985,154)
Investments in debt instruments at amortized cost	13,628,315	(10,706,007)
Receivables	(2,391,120)	(2,575,866)
Discounts and loans	(38,232,449)	(59,783,147)
Other financial assets	(977,008)	(506,469)
Deposits from the Central Bank and other banks	641,940	(88,918)
Financial liabilities at fair value through profit or loss	(784,246)	(906,274)
Securities sold under repurchase agreements	(20,949,260)	21,043,048
Payables	1,319,242	(2,391,267)
Deposits and remittances	74,613,551	19,269,163
Other financial liabilities	115,250	(11,714)
Provision for employee benefits	9,474	154,120
Other liabilities	100	1,800
Cash generated from (used in) operations	3,076,660	(29,430,968)
Interest received	12,008,785	11,888,433
Dividend received	451,540	348,864
Interest paid	(4,492,295)	(5,397,067)
Income tax paid	(673,949)	(104,519)
Net cash generated from (used in) operating activities	10,370,741	(22,695,257)

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UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associates	$ (500,000)	$ (564,394)
Payments for properties and equipment	(250,161)	(286,869)
Proceeds from disposal of properties and equipment	20	48
Decrease in settlement fund	616	448
Increase in refundable deposits	-	(449,180)
Decrease in refundable deposits	299,631	-
Payments for intangible assets	(34,797)	(44,804)
Proceeds from disposal of collaterals	7,007	63,825
Payments for right-of-use assets	-	(974)
Increase in other assets	-	(355,463)
Decrease in other assets	179,962	-
Net cash used in investing activities	(297,722)	(1,637,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to Central Bank and other banks	3,786,720	-
Proceeds from issue of bank debentures	-	2,000,000
Repayments of bank debentures	(3,000,000)	(1,500,000)
Proceeds from guarantee deposits received	11,412	7,390
Repayment of the principal portion of lease liabilities	(409,986)	(412,491)
Increase in other liabilities	170,189	248,855
Dividends paid	(768,446)	(480,000)
Net cash used in financing activities	(210,111)	(136,246)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(623,188)	(227,286)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,239,720	(24,696,152)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	62,774,587	87,470,739
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 72,014,307	$ 62,774,587

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UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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, 2020 and 2019:

	December 31	
	2020	2019
Cash and cash equivalents in balance sheets	$ 8,141,334	$ 10,937,284
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
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	63,872,973	51,360,225
Cash and cash equivalents in statements of cash flows	$ 72,014,307	$ 62,774,587

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 $800,000 thousand, and the Bank held 100% of Union Venture Capital's shares.

As of December 31, 2020, 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), 3 overseas representative offices in Hong Kong, Ho Chi Minh City and Hanoi, 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 10, 2021.

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:

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

The bank applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. 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 that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. 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"

Upon retrospective application of the amendments, the Bank complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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.

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

The bank adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to "could reasonably be expected to influence". Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"	June 1, 2020

1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

a) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.

b) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

c) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

d) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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.

2) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

3) Amendments to IFRS 3 "'Reference to the Conceptual Framework"

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

4) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The bank will restate its comparative information when it initially applies the aforementioned amendments.

5) Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that when assessing whether a contract is onerous, the "cost of fulfilling a contract" includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The bank will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

6) Amendments to IAS 1 “Disclosure of Accounting Policies”

   The amendments specify that the bank should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

   - Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
   - The bank may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
   - Not all accounting policy information relating to material transactions, other events or conditions is itself material.

   The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

   a) The bank changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
   b) The bank chose the accounting policy from options permitted by the standards;
   c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
   d) The accounting policy relates to an area for which the bank is required to make significant judgements or assumptions in applying an accounting policy, and the bank discloses those judgements or assumptions; or
   e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

7) Amendments to IAS 8 “Definition of Accounting Estimates”

   The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the bank may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the bank uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at 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.

<u>Financial guarantee contracts</u>

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.

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

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.

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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders 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 48. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 5,740,402	$ 6,865,456
Checks for clearing	1,171,066	1,076,011
Due from banks	1,229,866	2,995,817
	$ 8,141,334	$ 10,937,284

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

	December 31	
	2020	2019
Deposit reserve - checking account	$ 8,585,673	$ 2,968,938
Required deposit reserve	15,640,347	13,808,552
Deposit reserve - foreign-currency deposits	99,778	90,318
Call loans to banks	-	477,078
	$ 24,325,798	$ 17,344,886

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	
	2020	**2019**
Financial assets designated as at fair value through profit or loss		
Government bond	$ 298,124	$ -
Negotiable certificated of deposit	999,450	-
Commercial paper	31,361,157	29,670,103
Domestic listed stock	50,496	-
Beneficiary certificates	513,710	532,562
Asset-backed securities	57,897	67,361
Future exchange margins	56,665	61,302
	33,337,499	30,331,328
Derivative financial instruments		
Foreign exchange forward contracts	60,430	42,044
Currency swap contracts	514,083	199,417
Option contracts	55,718	26,985
	630,231	268,446
	$ 33,967,730	$ 30,599,774
Financial liabilities held for trading		
Derivative financial instruments		
Option contracts	$ 55,694	$ 26,976
Foreign exchange forward contracts	17,419	27,623
Currency swap contracts	132,889	578,677
Cross-currency swap contracts	-	17,705
	$ 206,002	$ 650,981

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, 2020 and 2019 were as follows:

	December 31	
	2020	**2019**
Currency swap contracts	$ 70,857,503	$ 67,054,535
Foreign exchange forward contracts	1,755,782	3,223,477
Cross-currency swap contracts	-	3,638,415
Option contracts		
Buy	1,779,078	1,178,033
Sell	1,779,078	1,178,033

As of December 31, 2020 and 2019, financial assets at fair value through profit and loss in the amounts of $17,501,131 thousand and $13,458,214 thousand, respectively, were sold under repurchase agreements.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI		
Domestic listed shares	$ 4,231,079	$ 1,364,797
Overseas listed shares	5,847,572	5,311,947
Domestic unlisted shares	1,475,939	1,047,719
	11,554,590	7,724,463
Investments in debt instruments at FVTOCI		
Overseas corporate bonds	14,093,944	9,801,611
Overseas bond debentures	6,190,979	5,394,699
Overseas government bonds	6,192,951	5,772,116
Corporate bonds	8,410,769	6,736,723
Government bonds	6,364,162	5,532,808
	41,252,805	33,237,957
	$ 52,807,395	$ 40,962,420

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

	December 31	
	2020	2019
Taiwan Futures Exchange	$ 474,583	$ 439,293
LINE Bank Taiwan Limited	411,657	-
Financial Information Service Co., Ltd.	309,392	294,550
Taiwan Asset Management Corporation	77,164	77,077
Taiwan Depository & Clearing Corporation	65,631	59,862
iPass Corporation	60,044	84,205
Taiwan Financial Asset Service Corporation	48,105	48,244
Others	29,363	44,488
	$ 1,475,939	$ 1,047,719

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 $9,216,124 thousand and $19,671,156 thousand of financial assets at FVTOCI under a repurchase agreement on December 31, 2020 and 2019, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2020	2019
Negotiable certificates of deposit	$ 51,275,000	$ 42,960,000
Debt instruments		
Government bonds	10,252,526	11,173,137
Overseas asset-backed securities	29,170,136	50,037,012
	39,422,662	61,210,149
	$ 90,697,662	$ 104,170,149

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

The Bank sold financial assets at amortized cost under repurchase agreements in the amounts of $23,249,254 thousand and $44,134,600 thousand in 2020 and 2019, respectively.

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, 2020		
	Financial Assets at FVTOCI	Financial Assets at Amortized Cost	Total
Book value	$ 39,606,238	$ 39,602,262	$ 79,208,500
Loss allowance	(62,099)	(179,600)	(241,699)
Fair value adjustment	1,708,666	-	1,708,666
	$ 41,252,805	$ 39,422,662	$ 80,675,467

	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

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, 2020
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-4.0303%	$ 80,675,467
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, 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%	-

Note: Credit rating of investment made in debt instruments on December 31, 2020 and 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, 2020	$ 384,687	$ -	$ -
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	-	-
Significant increase in credit risk to default	-	-	-

(Continued)

	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)
New debt instruments purchased	$ 9,311	$ -	$ -
Derecognition	(114,854)	-	-
Changes in risk or model parameters	(16,566)	-	-
Change in exchange rates	(20,879)	-	-
Loss allowance on December 31, 2020	$ 241,699	$ -	$ -
Balance as of January 1, 2019	$ 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	45,738	-	-
Derecognition	(567)	-	-
Changes in risk or model parameters	17,935	-	-
Change in exchange rates	(7,878)	-	-
Loss allowance on December 31, 2019	$ 384,687	$ -	$ -

(Concluded)

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2020	2019
Commercial paper	$ 21,377,310	$ 24,223,631
Corporate bonds	39,645,492	22,966,283
Negotiable certificates of deposit	2,850,171	4,170,311
	$ 63,872,973	$ 51,360,225
Maturity date	2021.01-2021.03	2020.01-2020.02
Resale price	$ 63,877,099	$ 51,375,398

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

13. RECEIVABLES, NET

	December 31	
	2020	2019
Notes and accounts receivable	$ 17,725,376	$ 16,761,640
Interbank clearing fund receivable	1,818,946	1,200,345
Investment receivable	1,078,978	545,843
Interest receivable	913,909	1,050,920
Accounts receivable factoring without recourse	480,043	443,208
Acceptances receivable	107,221	112,902
Collections receivable	119,055	231,540
Others	648,434	286,756
	22,891,962	20,633,154
Less: Allowance for doubtful accounts	188,672	200,252
	$ 22,703,290	$ 20,432,902

The changes in gross carrying amounts of receivables for the year ended December 31, 2020 and 2019 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, 2020	$ 19,416,706	$ 106,235	$ 1,110,213	$ 20,633,154
Receivables assessed collectively	(319,562)	18,859	300,703	-
Receivables purchased or originated	10,234,882	32,872	92,118	10,359,872
Write-offs	-	-	(197,910)	(197,910)
Derecognition	(7,591,515)	(54,574)	(257,065)	(7,903,154)
Balance at December 31, 2020	$ 21,740,511	$ 103,392	$ 1,048,059	$ 22,891,962
Balance at January 1, 2019	$ 16,786,150	$ 99,394	$ 1,253,721	$ 18,139,265
Receivables assessed collectively	(328,036)	20,798	307,238	-
Receivables purchased or originated	8,716,507	40,544	107,104	8,864,155
Write-offs	-	-	(283,411)	(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

Refer to Note 48 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, 2020 and 2019 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, 2020	$ 43,935	$ 18,491	$ 93,187	$ 155,613	$ 44,639	$ 200,252
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(424)	491	(67)	-	-	-
Credit-impaired financial assets	(79,269)	(34,145)	113,414	-	-	-
12-month ECL	433	(294)	(139)	-	-	-
Derecognition of financial assets in the current reporting period	(20,567)	(5,558)	(14,849)	(40,974)	-	(40,974)
New financial assets purchased or originated	92,024	37,452	85,991	215,467	-	215,467
Difference of impairment loss under regulations	-	-	-	-	11,471	11,471
Write-offs	-	-	(197,910)	(197,910)	-	(197,910)
Recovery of written-off receivables	-	-	225,537	225,537	-	225,537
Change in others	(89)	129	(225,051)	(225,011)	-	(225,011)
	(160)	-	-	(160)	-	(160)
Balance at December 31, 2020	$ 35,883	$ 16,566	$ 80,113	$ 132,562	$ 56,110	$ 188,672

	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	(79,108)	(33,206)	112,314	-	-	-
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	-	-	(283,411)	(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

14. DISCOUNTS AND LOANS, NET

		December 31	
		2020	2019
Discounts and overdraft		$ 29,755	$ 27,537
Accounts receivable - financing		30,810	19,570
Loans			
Short-term	- unsecured	50,188,146	50,364,941
	- secured	74,450,827	73,471,679
Medium-term	- unsecured	33,808,522	30,733,615
	- secured	81,554,274	69,154,200
Long-term	- unsecured	9,446,186	7,877,847
	- secured	178,920,373	158,405,628
Import and export negotiations		275,199	271,447
Overdue loans		379,110	356,275
		429,083,202	390,682,739
Less: Allowance for doubtful accounts		4,778,233	4,298,955
		$ 424,304,969	$ 386,383,784

As of December 31, 2020 and 2019, the balances of nonaccrual loans were $379,110 thousand and $356,275 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $9,925 thousand in 2020 and $9,095 thousand in 2019.

In 2020 and 2019, 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, 2020 and 2019 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, 2020	$ 387,137,800	$ 2,015,580	$ 1,529,359	$ 390,682,739
Discount and loans assessed collectively	(925,107)	529,854	395,253	-
Discount and loans purchased or originated	237,208,758	406,605	407,431	238,022,794
Write-offs	-	-	(122,057)	(122,057)
Derecognition	(197,751,130)	(1,077,776)	(671,368)	(199,500,274)
Balance at December 31, 2020	$ 425,670,321	$ 1,874,263	$ 1,538,618	$ 429,083,202

(Continued)

	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

(Concluded)

Refer to Note 48 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, 2020 and 2019 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, 2020	$ 240,125	$ 175,604	$ 372,647	$ 788,376	$ 3,510,579	$ 4,298,955
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(366)	2,069	(1,703)	-	-	-
Credit-impaired financial assets	(319)	(13,684)	14,003	-	-	-
12-month ECL	28,352	(21,828)	(6,524)	-	-	-
Derecognition of financial assets in the current reporting period	(198,594)	(111,620)	(124,322)	(434,536)	-	(434,536)
New financial assets purchased or originated	209,392	37,334	217,432	464,158	-	464,158
Difference of impairment loss under regulations	-	-	-	-	481,548	481,548
Write-offs	-	-	(122,057)	(122,057)	-	(122,057)
Recovery of written-off receivables	-	-	294,757	294,757	-	294,757
Change in others	(28,318)	38,631	(210,220)	(199,907)	-	(199,907)
Change in exchange rate	(4,685)	-	-	(4,685)	-	(4,685)
Balance at December 31, 2020	$ 245,587	$ 106,506	$ 434,013	$ 786,106	$ 3,992,127	$ 4,778,233

(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, 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

(Concluded)

15. BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES

	December 31 2020	December 31 2019
Provision of allowance for doubtful accounts		
Receivables	$ (39,047)	$ (15,632)
Discounts and loans	311,263	237,216
Reserve for losses on guarantees	(5,000)	5,000
Reserve for losses on loan commitments	-	9,000
	$ 267,216	$ 235,584

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31 2020	December 31 2019
Investments in subsidiaries	$ 4,326,082	$ 3,787,538
Investments in associates	1,536,989	1,587,482
	$ 5,863,071	$ 5,375,020

a. Investments in subsidiaries

	December 31	
	2020	2019
Union Finance and Leasing International Corporation (UFLIC)	$ 2,998,319	$ 2,973,739
Union Securities Investment Trust Corporation (USITC)	414,021	388,935
Union Finance International (H.K.) Limited	129,604	104,186
Union Information Technology Corporation (UIT)	13,462	20,832
Union Venture Capital Corporation	770,676	299,846
	$ 4,326,082	$ 3,787,538

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	
	2020	2019
Union Finance and Leasing International Corporation (UFLIC)	100.00%	100.00%
Union Securities Investment Trust Corporation (USITC)	99.60%	99.60%
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%	100.00%

To integrate resources and enhance operating effectiveness, the investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802037180 on March 27, 2019.The bank spend $264,909 thousand dollars to purchase 65% equity interest from Union Securities Investment Trust Corporation's shareholder 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%. For the disclosure related to purchase of USITC, refer to Note 56 to the financial statement of equity transactions with non-controlling interests of Union Bank of Taiwan for the year ended December 31, 2020 and 2019.

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. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802042270 on March 28, 2019. The total investment amount was $800,000 thousand, and the Bank held 100% of Union Venture Capital's shares as of December 31, 2020

b. Investments in associates

	December 31	
	2020	2019
Not individually material		
Union Real-Estate Management Corporation	$ 52,281	$ 52,513
Line BIZ+ Taiwan Limited	1,484,708	1,534,969
	$ 1,536,989	$ 1,587,482

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

	For the Year Ended December 31	
	2020	**2019**
Net loss	$ (50,493)	$ (35,980)

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. And included the goodwill amount $977,235 thousand in the cost.

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 2020 and 2019 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	
	2020	**2019**
Pledged assets (Note 43)	$ 1,468,848	$ 1,424,467
Due from banks - certificate of deposit	2,979,551	2,092,376
Others	23,437	3,285
	$ 4,471,836	$ 3,520,128

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, 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

(Continued)

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
Cost							
Balance at January 1, 2020	$ 3,845,398	$ 5,194,044	$ 1,379,546	$ 316,416	$ 405,213	$ 207,859	$ 11,348,476
Additions	48,665	17,180	66,077	23,424	42,674	52,141	250,161
Disposals	-	-	(114,170)	(5,451)	-	-	(119,621)
Reclassification	35,492	1,012	130,282	387	10,033	(210,272)	(33,066)
Balance at December 31, 2020	3,929,555	5,212,236	1,461,735	334,776	457,920	49,728	11,445,950
Accumulated depreciation							
Balance at January 1, 2020	-	1,786,913	1,107,325	271,313	237,532	-	3,403,083
Depreciation	-	126,132	78,261	13,126	45,379	-	262,898
Disposals	-	-	(107,246)	(5,236)	-	-	(112,482)
Balance at December 31, 2020	-	1,913,045	1,078,340	279,203	282,911	-	3,553,499
Balance at December 31, 2020, net	$ 3,929,555	$ 3,299,191	$ 383,395	$ 55,573	$ 175,009	$ 49,728	$ 7,892,451

(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 Bank has paid to the government all the fees and the price of land originally reserved for the public facilities in exchange for transfer development rights (TDR) to increase the building area.

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land and buildings	$ 1,639,260	$ 1,361,636

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 706,653	$ 589,466
Depreciation charge for right-of-use assets		
Land and buildings	$ 415,009	$ 417,701

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts	$ 1,621,207	$ 1,338,560

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land and buildings	0.73%-0.93%	0.90%-0.93%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 206,167	$ 214,161
Total cash outflow for leases	$ (616,153)	$ (626,652)

The Bank's leases of certain assets 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.

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, 2020 and 2019, the balances of accumulated impairment were both $902,691 thousand.

21. OTHER ASSETS, NET

	December 31	
	2020	2019
Refundable deposits	$ 2,232,783	$ 2,533,030
Prepaid expenses	353,828	580,516
Prepaid pensions cost (Note 29)	164,801	153,564
Others	188	192
	$ 2,751,600	$ 3,267,302

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Call loans from banks	$ 6,078,420	$ 5,500,000
Deposits from Chunghwa Post Co., Ltd.	5,599,730	5,599,730
Overdraft	137,622	55,409
Deposits from the Central Bank and other banks	127,091	145,784
	$ 11,942,863	$ 11,300,923

23. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Due to the Central Bank	$ 3,786,720	$ -

24. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2020	2019
Commercial paper	$ 16,513,416	$ 13,471,704
Asset-based securities	18,014,455	34,959,474
Corporate bonds	5,011,996	8,259,790
Government bonds	2,749,077	4,177,567
Financial bonds	1,138,946	4,508,901
Negotiable certificated of deposit	1,000,286	-
	$ 44,428,176	$ 65,377,436
Maturity date	2021.01-2021.04	2020.01-2020.07
Repurchase price	$ 43,452,064	$ 65,663,465

25. PAYABLES

	December 31	
	2020	2019
Investments payable	$ 1,349,789	$ 455,093
Notes and checks in clearing	1,171,066	1,076,011
Accrued expenses	860,672	891,680
Interest payable	573,653	894,802
Collections payable	391,944	237,076
Bank acceptances payable	107,221	112,902
Tax taxable	103,685	108,324
Reimbursed for settlement	69,746	127,990
Others	802,620	615,408
	$ 5,430,396	$ 4,519,286

26©. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Savings deposits	$ 364,921,557	$ 327,270,693
Demand deposits	115,561,141	93,047,892
Time deposits	113,473,414	107,187,235
Checking deposits	13,941,078	5,866,457
Negotiable certificates of deposit	305,900	234,500
Inward and outward remittances	66,424	49,186
	$ 608,269,514	$ 533,655,963

27. BANK DEBENTURES

	December 31	
	2020	2019
First issue of subordinated bank debentures in 2013; fixed rate at 2.10%; maturity: December 2020	$ -	$ 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	500,000
First issue of subordinated bank debentures in 2019; fixed rate at 1.23%; maturity: September 2029	1,500,000	1,500,000
	$ 7,200,000	$ 10,200,000

28. PROVISIONS

	December 31	
	2020	2019
Reserve for losses on guarantees and loan commitments	$ 216,360	$ 221,488
Others	28,579	28,479
	$ 244,939	$ 249,967

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, 2020 and 2019 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, 2020	$ 51,294	$ 3,753	$ 28,150	$ 83,197	$ 138,291	$ 221,488
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(99)	99	-	-	-	-
Credit-impaired financial assets	(182)	(17)	199	-	-	-
12-month ECL	1,170	(1,170)	-	-	-	-
Derecognition of financial assets in the current reporting period	(33,417)	(2,608)	(28,300)	(64,325)	-	(64,325)
New financial assets purchased or originated	30,763	1,609	95	32,467	-	32,467
Difference of impairment loss under regulations	-	-	-	-	27,017	27,017
Change in others	(159)	-	-	(159)	-	(159)
Change in exchange rates	(128)	-	-	(128)	-	(128)
Balance at December 31, 2020	$ 49,242	$ 1,666	$ 144	$ 51,052	$ 165,308	$ 216,360
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

29. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Bank adopted a pension plan under 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	
	2020	**2019**
Present value of defined benefit obligation	$ (1,626,432)	$ (1,667,125)
Fair value of plan assets	1,791,233	1,820,689
Deficit (surplus)	164,801	153,564
Net defined benefit asset	$ 164,801	$ 153,564

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, 2019	$ (1,604,372)	$ 1,585,640	$ (18,732)
Service cost			
Current service cost	(15,948)	-	(15,948)
Net interest income (expense)	(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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2020	$ (1,667,125)	$ 1,820,689	$ 153,564
Service cost			
Current service cost	(14,966)	-	(14,966)
Net interest income (expense)	(11,705)	12,783	1,078
Recognized in profit or loss	(26,671)	12,783	(13,888)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	17,997	17,997
Actuarial loss - changes in financial assumptions	(56,783)	-	(56,783)
Actuarial gain - experience adjustments	50,628	-	50,628
Recognized in other comprehensive income	(6,155)	17,997	11,842
Contributions from the employer	-	13,283	13,283
Benefits paid	73,519	(73,519)	-
Balance at December 31, 2020	$ (1,626,432)	$ 1,791,233	$ 164,801

(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	
	2020	2019
Discount rate	0.383%	0.702%
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	
	2020	2019
Discount rate(s)		
0.25% increase	$ (43,062)	$ (46,310)
0.25% decrease	$ 44,723	$ 48,173
Expected rate(s) of salary increase		
0.25% increase	$ 43,074	$ 46,541
0.25% decrease	$ (41,709)	$ (44,991)

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	
	2020	2019
The expected contributions to the plan for the next year	$ 13,615	$ 15,971
The average duration of the defined benefit obligation	11 years	12 years

30. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	$ 903,350	$ 699,003
Guarantee deposits received	119,397	107,985
Others	75,509	96,085
	$ 1,098,256	$ 903,073

31. EQUITY

a. Capital stock

Common stock

	December 31	
	2020	2019
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)	3,093,369	2,884,455
Amount of shares issued	$ 30,933,688	$ 28,844,553

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	
	2020	**2019**
Issuance of preference shares	$ 8,000,000	$ 8,000,000
Treasury stock transactions	32,413	32,413
Ordinary share - premium	7,622	3,071
	$ 8,040,035	$ 8,035,484

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 the FSC, the Bank appropriated special reserves as follows:

	December 31	
	2020	**2019**
Balance at January 1	$ 627,440	$ 612,656
Special reserves appropriated	-	14,784
Balance at December 31	$ 627,440	$ 627,440

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 2019 and 2018 were approved in stockholders' meetings on May 28, 2020 and May 31, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2019	**2018**	**2019**	**2018**
Legal reserve	$ 1,007,837	$ 887,017		
Special reserve	-	14,784		
Cash dividends on ordinary shares	288,446	-	$ 0.1	$ -
Share dividends on ordinary shares	2,019,119	1,883,009	0.7	0.7
Cash dividends on preferred shares	480,000	480,000	2.4	2.4

The appropriations from the 2020 earnings were proposed by the board of directors on March 10, 2021. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 1,041,070	
Special reserve	1,951,916	$0.631
Stock dividends on ordinary shares	480,000	2.4
Cash dividends on preference shares		

The appropriation of earnings for 2020 will be approved in stockholders' meeting to be held on May 28, 2021.

f. Other equity items

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (604,632)	$ (413,524)
Exchange differences arising on translation of the foreign operations	(625,885)	(227,061)
Income tax on exchange differences on translation of the net assets of foreign operations	125,177	45,412
Share of exchange difference of subsidiaries accounted for using the equity method	14,117	(9,459)
Balance at December 31	$ (1,091,223)	$ (604,632)

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 5,289,524	$ 2,073,347
Generated this year		
Unrealized gain (loss)		
Debt instruments	1,040,127	1,611,224
Equity instruments	705,215	1,947,394
Adjustments to loss allowance for debt instruments	(19,120)	17,662
Share of associates	(35,700)	(153)
Disposal of debt instruments	(15,371)	(24,322)
Other comprehensive loss for the year	1,675,151	3,551,805
Acquisition of interest in subsidiary	-	(2,105)
Accumulated gain (loss) transferred retained earnings denied from disposal of equity instruments at FVTOCI	(22,382)	(333,523)
Balance at year-end	$ 6,942,293	$ 5,289,524

32. NET INTEREST

	For the Year Ended December 31	
	2020	2019
Interest revenue		
Discounts and loans	$ 8,073,680	$ 7,825,653
Debt instruments at amortized cost	1,621,720	1,912,430
Financial assets at FVTOCI	958,260	901,475
Credit card	834,266	836,083
Securities purchased under resell agreements	221,157	269,316
Due from the Central Bank and call loans to other banks	127,370	231,389
Others	21,739	47,033
	11,858,192	12,023,379

(Continued)

	For the Year Ended December 31	
	2020	2019
Interest expense		
Deposits	$ 3,189,807	$ 3,900,744
Securities sold under repurchase agreements	571,777	1,203,134
Bank debentures	256,508	246,880
Due to Chunghwa Post Co., Ltd.	39,340	48,489
Others	101,298	60,272
	4,158,730	5,459,519
	$ 7,699,462	$ 6,563,860

(Concluded)

33. COMMISSION AND FEE REVENUE, NET

	For the Year Ended December 31	
	2020	2019
Commission and fee revenue		
Insurance commission	$ 638,744	$ 871,886
Credit cards and cash cards	1,596,391	1,319,093
Trust business	572,023	478,926
Loan business	350,161	390,072
Interbank service fee	104,690	101,056
Underwriting business	88,911	79,377
Guarantee business	117,207	109,034
Others	255,667	245,553
	3,723,794	3,594,997
Commission and fee expense		
Credit card	658,125	632,799
Interbank service fee	28,786	22,966
Acquiring liquidation deal	15,256	17,221
Verification of credit	39,014	35,532
Agency fee	17,209	17,117
Others	96,294	91,997
	854,684	817,632
	$ 2,869,110	$ 2,777,365

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

	For the Year Ended December 31	
	2020	2019
Realized gain or loss on financial assets at fair value through profit or loss		
Currency swap contracts	$ 512,717	$ 959,335
Foreign exchange forward contracts	37,061	324,367
Commercial paper	14,104	8,220
Beneficial securities and shares	10,156	239,738
Option contracts	1,769	3,125
Government bonds	8,046	1,783
Corporate bonds	1,632	-
Interest revenue	245,917	272,159
Dividend	54,462	35,191
Principal guaranteed notes	11,725	33,242
Cross currency swap contract	16,175	61,109
Future exchange margins	(1,406)	1,124
	912,358	1,939,393
Unrealized gain or loss on financial assets at fair value through profit or loss		
Beneficial securities and shares	538	49,998
Government bonds and corporate bonds	(444)	8,302
Commercial paper	(6,922)	(1,257)
Derivative financial assets and liabilities	805,279	(585,369)
	798,451	(528,326)
	$ 1,710,809	$ 1,411,067

35. REALIZED GAIN ON FINANCIAL ASSETS AT FVOCI

	For the Year Ended December 31	
	2020	2019
Dividend revenue	$ 391,849	$ 312,318
Net profit from disposal of bonds	15,371	24,322
	$ 407,220	$ 336,640

36. IMPAIRMENT LOSS (REVERSAL OF LOSS)

	For the Year Ended December 31	
	2020	2019
Debt instruments at FVTOCI	$ 14,349	$ (19,605)
Financial assets at amortized cost	107,760	(43,501)
Foreclosed collaterals	6,751	20,185
	$ 128,860	$ (42,921)

37. SALARY AND BENEFITS OF EMPLOYEES

	For the Year Ended December 31	
	2020	2019
Salaries and wages	$ 3,165,954	$ 3,085,297
Pension		
Defined contribution plans	149,995	136,845
Defined benefit plans	13,888	16,137
Labor insurance and national health insurance	296,614	284,701
Remuneration of directors	13,430	13,366
Others	55,627	51,735
	$ 3,695,508	$ 3,588,081

In 2020 and 2019, the Bank had an average of 4,019 and 3,987 employees, respectively, and 8 non-employee directors in both years.

According to the Bank's Articles, the Bank accrued compensation of employees and remuneration of directors at the rates between 1% and 5% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Bank's board of directors on March 10, 2021 and March 10, 2020, respectively, were as follows:

Accrual Rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	1.84%	1.84%
Remuneration of directors	0.09%	0.09%

Amount

	For the Year Ended December 31			
	2020		2019	
	Cash	Share	Cash	Share
Compensation of employees	$ -	$ 72,242	$ -	$ 74,567
Remuneration of directors and supervisors	3,534	-	3,647	-

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 compensation of employees, which was determined by dividing the amount of the compensation of employees resolved for 2020 and 2019 by $10.85 and $10.65, respectively, which is the closing price per share on the day immediately preceding the meeting of the Bank's board of directors was 6,658 thousand shares and 7,002 thousand shares for 2020 and 2019, respectively.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for 2020 and 2019.

Information on the compensation of employees 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.

38. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2020	2019
Property and equipment	$ 262,898	$ 309,195
Intangible assets	75,404	82,521
Right of use assets	415,009	417,701
	$ 753,311	$ 809,417

39. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2020	2019
Rental	$ 206,167	$ 214,161
Taxation and government fee	610,516	603,211
Advertisement	1,024,785	599,870
Outsourcing service	335,177	315,017
Postage/cable charge	261,337	259,700
Computer operating	181,941	166,438
Deposit insurance	149,368	140,993
Maintenance charge	127,336	114,228
Marketing	46,832	91,122
Printing and binding	47,288	48,470
Donation	20,831	24,423
Others	500,422	475,274
	$ 3,512,000	$ 3,052,907

40. 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	
	2020	2019
Current tax		
Current year	$ 429,260	$ 464,521
Additional income tax on unappropriated earnings	1,516	-
Prior year’s adjustments	(7,785)	4,803
Deferred tax		
Current year	(14,240)	145,586
Income tax expense recognized in profit or loss	$ 408,751	$ 614,910

A reconciliation of accounting profit and current income tax expenses for the years ended December 31, 2020 and 2019 is as follows:

	For the Year Ended December 31	
	2020	**2019**
Income before tax	$ 3,850,460	$ 3,974,367
Income tax expense at the 20% statutory rate	$ 770,092	$ 794,873
Tax-exempt income	(411,849)	(212,815)
Loss on disposal of investments in overseas equity instruments at fair value through other comprehensive income	-	1,387
Nondeductible expenses in determining taxable income	-	4,275
Additional income tax under the Alternative Minimum Tax Act	56,777	-
Unrecognized deductible temporary differences	-	22,387
Adjustments for prior year's tax	(7,785)	4,803
	1,516	-
Income tax expense recognized in profit or loss	$ 408,751	$ 614,910

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	**2019**
Deferred tax		
Recognized in other comprehensive income:		
Exchange differences on the translation of financial statements of foreign operations	$ 125,177	$ 45,412
Unrealized loss on financial assets at FVTOCI	(107,125)	(300,174)
Actuarial gains and losses on defined benefit plans	(2,368)	(34,570)
Total income tax expenses (benefit) recognized in other comprehensive income	$ 15,684	$ (289,332)

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, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss of financial instruments	$ 42,700	$ (8,700)	$ -	$ 34,000
Employee benefit plan	173,984	2,336	-	176,320
Payable for annual leave	7,370	1,397	-	8,767
Allowance for possible losses and reserve for losses on guarantees	81,727	11,286	-	93,013
Exchange difference on translation of foreign operations	143,010	-	125,177	268,187
Others	91,988	(35,369)	-	56,619
	$ 540,779	$ (29,050)	$ 125,177	$ 636,906
Deferred tax liabilities				
Temporary differences				
Financial assets at fair value through other comprehensive income	$ (996,121)	$ -	$ (107,125)	$ (1,103,246)
Amortization of goodwill impairment loss	(397,061)	-	-	(397,061)
Others	(176,457)	43,290	(2,368)	(135,535)
	$ (1,569,639)	$ 43,290	$ (109,493)	$ (1,635,842)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
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)

d. Income tax assessments

	Examined and Cleared
Union Bank of Taiwan	Through 2017

41. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 0.96	$ 0.93
Diluted earnings per share	$ 0.96	$ 0.93

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	
	2020	2019
Net profit	$ 3,441,709	$ 3,359,457
Less: Dividends on preference shares	(480,000)	(480,000)
Earnings used in the computation of basic earnings per share	$ 2,961,709	$ 2,879,457
Earnings used in the computation of diluted earnings per share	$ 2,961,709	$ 2,879,457

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	3,092,030	3,085,172
Effect of potentially dilutive ordinary shares		
Compensation or bonuses of employees	8,059	7,943
Weighted average number of ordinary shares used in the computation of diluted earnings per share	3,100,089	3,093,115

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 July 31, 2020. The basic and diluted earnings per share were adjusted both from $1.00 to $0.99 for the year ended December 31, 2019

42. 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
Corner Union Venture Capital, LLC (Delaware)	Subsidiary of UVC
Corner Union LLC DAG I-U, LLC	Subsidiary of UVC and Corner Union Venture Capital, LLC (Delaware)
Corner Union LLC	Subsidiary of UVC and Corner Union Venture Capital, LLC (Delaware)
Na he yi hau electric power Inc.	Subsidiary of UVC
Ting Jie Electric Power Inc	Subsidiary of UVC
Union Energy Co., Ltd	Subsidiary of UVC
Union Private Equity Co., Ltd.	Subsidiary of USITC
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
Union Green Energy Private Equity Limited Partnership	USITC and UFLIC are general partnership of the private fund
Others	Directors, managers and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2020

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2020	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	20	$ 16,372	$ 9,649	$ 9,649	$ -	Land, buildings and cars	None
Self-used housing mortgage loans	56	171,171	88,730	88,730	-	Real estate	None
Others	UFLIC	1,727,263	1,459,606	1,459,606	-	Land and buildings	None
Others	6	12,384	11,396	11,396	-	Land and buildings	None

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: Nonperforming 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		Interest Revenue		
	Amount	%	Rate	Amount	%
2020	$ 1,569,381	0.37	1.15%-3.00%	$ 30,326	0.26
2019	1,857,535	0.48	1.56%-2.64%	34,984	0.29

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate (Note)	Amount	%
2020	$ 14,511,786	2.39	0%-4.80%	$ 29,002	0.70
2019	6,024,277	1.13	0%-4.80%	51,120	0.94

Note: Including foreign currency interest rate.

3) Guarantees and letters of credit

December 31, 2020

Name	Highest Balance in the Year Ended December 31, 2020	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 19,316	$ 19,316	$ -	0.5%	Time deposits
The Liberty Times Co., Ltd.	2,517	-	-	-	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits
Hi-Life International Co., Ltd.	20,300	20,300	-	0.4%	Time deposits

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	$ -	0.5%	Time deposits
The Liberty Times Co., Ltd.	2,630	-	-	-	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits
Hi-Life International Co., Ltd.	114,324	18,500	-	0.4%	Time deposits

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 some 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	%
2020				
Yu-Pang	$ 456,046	20.43	$ 22,754	1.40
Hung-Kuo	219,465	9.83	407,013	25.11
Yong-Xuan	15,029	0.67	158,935	9.80
UECC	4,384	0.20	55,324	3.41

	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

The Bank rented cars for business use from UFLIC; the rental expenses were $11,061 thousand in 2020 and $10,771 thousand in 2019. Rentals payable as of December 31, 2020 and 2019 were $41 thousand and $40 thousand, respectively.

The Bank rented space to install an ATM of Hi-life International Corporation, the rent expense was $65 in 2020 thousand and $1,372 thousand in 2019. Rental payable as December 31, 2020 and 2019 were $5 thousand and $14 thousand, respectively.

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 $1,599 thousand and $1,594 thousand in 2020 and 2019, respectively. The lease deposits received (included in other liabilities) were $406 thousand and $436 thousand in 2020 and 2019, respectively.

5) UIT sold computers and related materials and software and provided network services to the Bank. The purchase and service fees were $136,744 thousand in 2020 and $127,815 thousand in 2019.

6) LINE PAY provided the use of its consumer platform to the Bank. The maintenance fee of the platform as of December 31, 2020 and 2019 were $25,252 thousand and $4,273 thousand, respectively.

7) LINE PAY provided the credit card bonus points and cooperative marketing activities to the Bank. The advertising fee as of December 31, 2020 and 2019 were $695,168 thousand and $136,198 thousand, respectively.

8) Hi-Life provided the commodity bonus exchange and marketing activities to the Bank. The advertising fee were $867 thousand and $815 thousand in 2020 and 2019, respectively.

9) Derivative financial instruments

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

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

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	
	2020	2019
Short-term employment benefits		
Salaries	$ 35,501	$ 36,916
Transportation expenses	1,230	1,150
	36,731	38,066
Post-employment benefits	3,338	8,473
	$ 40,069	$ 46,539

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

43. PLEDGED ASSETS

As of December 31, 2020, the Bank deposit of $1,000,000 in Central Bank Reserve Account, for undertaking the loan facility to help small and medium sized companies hit by the COVID-19 pandemic.

As of December 31, 2020 and 2019, government bonds and bank debentures, which amounted to $293,305 thousand and $318,605 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, 2020 and 2019, the Bank pledged a time deposit of $1,100,000 thousand and $1,100,000 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.

44. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2020 and 2019, the Bank's commitments consisted of the following:

	December 31	
	2020	2019
Irrevocable standby loan commitment	$ 124,910,213	$ 115,314,710
Unused credit card commitment	290,942,911	280,852,350
Unused letters of credit	1,012,925	893,729
Other guarantees	15,593,398	15,348,358
Collections for customers	24,196,090	28,655,887
Travelers' checks consigned-in	-	64,613
Guarantee notes payable	1,377,300	1,402,600
Trust assets	85,935,248	75,781,532
Marketable securities under custody	4,985,682	5,966,407

b. Computer equipment purchase contracts

As of December 31, 2020 and 2019, the Bank had contracts to buy computer equipment and software for $209,281 thousand and $200,379 thousand, respectively, of which $120,972 thousand and $90,973 thousand had been paid as of December 31, 2020 and 2019, respectively.

45. OTHER

Since January 2020, the COVID-19 pandemic has influenced the global economy; it is causing uncertainty in the economic growth. The Bank increased the level of risk advisory, pressure test, loan management and continuously tracking different financial risks data. After critical analysis, the Bank concluded that the effect of the COVID-19 pandemic will not influence the Bank to continue operating or cause significant asset impairment loss.

46. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2020

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 8,157,969	Management fee payable	$ 13
Investments		Income tax payable	706
Mutual funds	47,850,626	Marketable securities payable	16,366,695
Debt	3,971	Trust capital	69,507,816
Common stock	330,003	Reserve and deficit	60,018
Accounts receivable	9,687		
Stock in custody	16,366,695		
Real estate - land and building	13,216,297		
Total	$ 85,935,248	Total	$ 85,935,248

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2020.

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.

Income Statement of Trust Accounts
Year Ended December 31, 2020

	Amount
Trust income	
Interest revenue - demand accounts	$ 628
Interest revenue - time deposits	21,286
Interest revenue - debt	100
Cash dividends - common stock	9,077
Income from beneficiary certificates	269
Realized capital gain - fund	287
Unrealized capital gain - fund	311
Unrealized capital gain - common stock at stock exchange market	45,250
Total trust income	77,208
Trust expense	
Management expense	15,827
Taxation	5,487
Agency fees	3,152
Unrealized capital loss - common stock at stock exchange market	238
Unrealized capital loss - debt	45
Realized capital loss - fund	1,186
Unrealized capital loss - fund	423
Others	1,687
Total trust expense	28,045
Gain before tax	49,163
Income tax expense	(1,593)
Net gain	$ 47,570

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

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

(Continued)

	Amount
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

(Concluded)

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

Trust Property and Equipment Accounts
December 31, 2020

Investment Portfolio	Amount
Bank deposits	$ 8,157,969
Investments	
Mutual funds	47,850,626
Debt	3,971
Common stock	330,003
Accounts receivable	9,687
Stock in custody	16,366,695
Real estate - land and buildings	13,216,297
	$ 85,935,248

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2020.

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.

47. 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, 2020 and 2019 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2020			
	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	$ 513,710	$ 513,710	$ -	$ -
Commercial paper	31,361,157	-	31,361,157	-
Negotiable certificated of deposit	999,450	-	999,450	-
Asset-based securities	57,897	-	57,897	-
Stock	298,124	-	298,124	-
Debt investment	50,496	50,496	-	-
Futures exchange margins	56,665	56,665	-	-
Financial assets at fair value through other comprehensive income				
Stock	11,554,590	10,078,651	-	1,475,939
Debt investments	41,252,805	-	41,252,805	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	630,231	-	574,513	55,718
Liabilities				
Financial liabilities at FVTPL	206,002	-	150,308	55,694

	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

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

<u>Credit risk assessment adjustment</u>

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 2020 and 2019.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2020

(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	$ 26,985	$ 10,676	$ -	$ 53,028	$ -	$ (34,971)	$ -	$ 55,718
Financial assets at fair value through other comprehensive income								
Investments in equity instruments	1,047,719	-	(48,834)	-	500,000	(22,946)	-	1,475,939

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

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2020

(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	$ 26,976	$ 22,568	$ -	$ 36,334	$ -	$(30,184)	$ -	$ 55,694

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

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

December 31, 2020

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	$ 55,718	Option pricing model	Ratio	AUD/JPY 9.51%-10.18% AUD/USD 9.72% EUR/USD 6.87%-8.15% NZD/USD 10.16%-10.68% USD/CNH 6.10% USD/TWD 4.30%-5.95% USD/ZAR 15.80%-16.22%	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	1,475,939	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	55,694	Option pricing model	Ratio	AUD/JPY 9.51%-10.18% AUD/USD 9.72% EUR/USD 6.87%-8.15% NZD/USD 10.16%-10.68% USD/CNH 6.10% USD/TWD 4.30%-5.95% USD/ZAR 15.80%-16.22%	The higher the ratio is, the higher the fair value

December 31, 2019

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

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, 2020

	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	$ 147,594	$ (147,594)

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)

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			
	2020		**2019**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets				
Financial assets measured at amortized cost	$ 90,697,662	$ 93,603,257	$ 104,170,149	$ 106,472,282
Financial liabilities				
Bank debentures	7,200,000	7,280,129	10,200,000	10,218,066

2) Fair value hierarchy

Items	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 93,603,257	$ -	$ 93,603,257	$ -
Financial liabilities				
Bank debentures	7,280,129	-	7,280,129	-

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	-

48. 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, 2020	**December 31, 2019**
Irrevocable standby loan commitment	$ 9,449,892	$ 9,548,993
Unused letters of credit	1,012,925	893,729
Other guarantees	15,593,398	15,348,358
Unused credit card commitments	290,942,911	280,852,350

December 31, 2020	**Collateral**	**Netting Arrangements**	**Other Credit Enhancement**	**Total**
In-balance sheet items				
Discount and loans	$ 357,981,083	$ -	$ -	$ 357,981,083

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

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, 2020		December 31, 2019	
	Amount	**%**	**Amount**	**%**
Private enterprises	$ 117,401,556	26.37	$ 106,475,131	26.19
Profit organization	107,900	0.02	-	-
Government organizations	36,370,927	8.17	35,884,136	8.83
Nonprofit organizations	584,112	0.13	797,036	0.20
Private organizations	289,106,008	64.93	262,021,341	64.44
Financial institutions	627	-	787	-
Foreign enterprises	1,693,804	0.38	1,408,776	0.34
Total	$ 445,264,934	100.00	$ 406,587,207	100.00

b) By geographical area

The Bank’s operations are mainly in Taiwan.

c) By collaterals

	December 31, 2020		December 31, 2019	
	Amount	**%**	**Amount**	**%**
Unsecured	$ 79,092,381	17.76	$ 78,566,192	19.32
Secured				
Financial instruments	10,345,503	2.32	11,439,874	2.81
Stocks	12,565,587	2.82	11,341,285	2.80
Properties	309,013,003	69.40	278,572,709	68.51
Movables	20,259,264	4.55	18,660,538	4.59
Guarantees	12,682,520	2.85	7,520,867	1.85
Others	1,306,676	0.30	485,742	0.12
Total	$ 445,264,934	100.00	$ 406,587,207	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:

2020

Credit-impaired financial assets	Carrying Amount	Allowance for Impairment Loss	Exposure Amount (Amortized Cost)	Fair Value of Collateral
Receivables				
Credit cards	$ 1,016,564	$ 56,259	$ 960,305	$ -
Other	31,495	23,854	7,641	11,671
Discounts and loans	1,538,618	434,013	1,104,605	3,555,487
	$ 2,586,677	$ 514,126	$ 2,072,551	$ 3,567,158

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

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:

Quantitative indicators

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 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, 2020				
	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	$ 21,740,510	$ 103,393	$ 1,048,059	$ -	$ 22,891,962
Less: Allowance for impairment loss	35,883	16,566	80,113	-	132,562
Less: Additional impairment loss required under	-	-	-	56,110	56,110
	$ 21,704,627	$ 86,827	$ 967,946	$ 56,110	$ 22,703,290

	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

	Discounts and Loans				
	December 31, 2020				
	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	$ 425,670,321	$ 1,874,263	$ 1,538,618	$ -	$ 429,083,202
Less: Allowance for impairment loss	245,587	106,506	433,756	-	785,849
Less: Additional impairment loss required under	-	-	-	3,992,384	3,992,384
	$ 425,424,734	$ 1,767,757	$ 1,104,862	$ 3,992,384	$ 424,304,969

	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

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, 2020					
	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	$ 6,060,273	$ 5,342,540	$ 525,050	$ 15,000	$ -	$ 11,942,863
Due to the Central Bank and other bank	26,000	35,650	84,300	248,720	3,392,050	3,786,720
Securities sold under repurchase agreements	25,701,954	18,720,220	6,002	-	-	44,428,176
Payables	3,193,456	1,180,689	873,480	164,672	18,099	5,430,396
Deposits and remittance	40,978,581	64,746,534	82,685,570	157,934,658	261,924,171	608,269,514
Bank debentures	-	-	-	-	7,200,000	7,200,000
Other liabilities	-	-	-	-	94,683	94,683

The maturity analysis of lease liability:

	December 31, 2020					
	Less than A Year	1-5 years	5-10 years	10-15 Year	15-20 Year	Total
Lease liabilities	$ 389,156	$ 1,047,837	$ 155,267	$ 62,791	$ 6,370	$ 1,661,421

	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

	December 31, 2019					
	Less than A Year	1-5 years	5-10 years	10-15 Year	15-20 Year	Total
Lease liabilities	$ 344,824	$ 700,362	$ 204,453	$98,557	$ 16,370	$ 1,364,566

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

	December 31, 2020					
	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	$ 18,335,891	$ 11,082,638	$ 492,466	$ 831,586	$ -	$ 30,742,581
Cash inflow	18,222,640	11,065,864	488,806	826,142	-	30,603,452
	113,251	16,774	3,660	5,444	-	139,129
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 113,251	$ 16,774	$ 3,660	$ 5,444	$ -	$ 139,129

	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

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

	December 31, 2020					
	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	$ 1,738	$ 5,357	$ 2,058	$ 11,917	$ -	$ 21,070

	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

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 2020 and 2019, 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 $734,108 thousand and $373,604 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, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 3,761,165	28.5080	$ 107,223,292
JPY	7,084,894	0.2765	1,958,838
GBP	6,024	38.9163	234,437
AUD	147,591	21.9740	3,243,151
HKD	287,833	3.6775	1,058,492
CAD	16,364	22.3575	365,860
CNY	829,320	4.3813	3,633,524
SGD	4,355	21.5790	93,974
ZAR	1,173,971	1.9510	2,290,464
CHF	1,493	32.3587	48,327
THB	460	0.9517	438
NZD	24,718	20.5970	509,109
EUR	42,365	35.0534	1,485,056
Financial liabilities			
USD	3,242,858	28.5080	92,447,394
JPY	8,120,551	0.2765	2,245,178
GBP	6,028	38.9163	234,582
AUD	147,527	21.9740	3,241,745
HKD	288,067	3.6775	1,059,354
CAD	16,344	22.3575	365,408
CNY	829,328	4.3813	3,633,560
SGD	4,306	21.5790	92,928
ZAR	1,173,864	1.9510	2,290,254
CHF	1,543	32.3587	49,916
NZD	24,681	20.5970	508,348
EUR	35,505	35.0534	1,244,575

	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

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, 2020					
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	$ 17,501,131	$ 17,513,701	$ 17,501,131	$ 17,513,701	$ (12,570)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	9,216,124	8,900,020	9,216,124	8,900,020	316,104
Financial assets at amortized costs Securities sold under repurchase agreements	23,249,254	18,014,455	25,511,315	18,014,455	7,496,860

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

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, 2020						
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	$ 630,231	$ -	$ 630,231	$ 1,704	$ -	$ 628,527

December 31, 2020						
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	$ 206,002	$ -	$ 206,002	$ 96,346	$ -	$ 109,656

December 31, 2019						
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	$ 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

49. 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)			December 31, 2020 Own Capital Adequacy Ratio	December 31, 2020 Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		$ 40,774,470	$ 40,287,801
	Other Tier 1 capital		12,096,138	12,984,989
	Tier 2 capital		8,100,742	11,372,099
	Eligible capital		60,971,350	64,644,889
Risk-weighted assets	Credit risk	Standard	358,829,620	370,831,564
		Internal rating-based approach	-	-
		Asset securitization	1,457,002	1,457,002
	Operational risk	Basic indicator approach	21,379,484	25,122,017
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	30,328,618	32,384,711
		Internal model approach	-	-
	Total risk-weighted assets		411,994,724	429,795,294
Capital adequacy rate			14.80%	15.04%
Ratio of common stockholders' equity to risk-weighted assets			9.90%	9.37%
Ratio of Tier 1 capital to risk-weighted assets			12.83%	12.39%
Leverage ratio			6.55%	6.49%

Items (Note 2)			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%

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.

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

Union Bank of Taiwan

a. Credit risk

1) Asset quality

See Table 4.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2020			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group G - real estate development	$ 2,541,500	4.22
2	Company H- retail of other food and beverages	2,003,000	3.33
3	Company B - other financial intermediation	1,459,000	2.42
4	Company S - automotive manufacturing	1,230,000	2.04
5	Company M - sporting and athletic articles manufacturing	974,000	1.62
6	Company Q - telecommunications	955,043	1.59
7	Company C- instant food manufacturing	907,194	1.51
8	Company W - real estate development	800,000	1.33
9	Company V - accommodation	799,600	1.33
10	Company K- manufacture of rubber products	790,000	1.31

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

b. Market risk

Interest Rate Sensitivity
December 31, 2020

(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	$ 532,258,985	$ 10,984,353	$ 12,845,941	$ 71,950,434	$ 628,039,713
Interest rate-sensitive liabilities	290,976,871	222,689,736	70,806,321	25,993,196	610,466,124
Interest rate-sensitive gap	241,282,114	(211,705,383)	(57,960,380)	45,957,238	17,573,589
Net worth					56,248,988
Ratio of interest rate-sensitive assets to liabilities					102.88%
Ratio of interest rate sensitivity gap to net worth					31.24%

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%

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, 2020

(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	$ 2,142,337	$ 504,181	$ 164,487	$ 1,402,049	$ 4,213,054
Interest rate-sensitive liabilities	1,601,332	433,271	492,622	702,642	3,229,867
Interest rate-sensitive gap	541,005	70,910	(328,135)	699,407	983,187
Net worth					175,908
Ratio of interest rate-sensitive assets to liabilities					130.44%
Ratio of interest rate sensitivity gap to net worth					558.92%

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%

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, 2020	For the Year Ended December 31, 2019
Return on total assets	Before income tax	0.54	0.60
	After income tax	0.48	0.51
Return on common equity	Before income tax	6.99	8.12
	After income tax	6.14	6.69
Net income ratio		28.49	28.81

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, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2020

(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	$ 691,415,883	$ 196,433,057	$ 32,469,854	$ 49,004,565	$ 94,019,121	$ 319,489,286
Main capital outflow on maturity	796,002,195	84,997,650	113,456,441	103,382,981	191,598,487	302,566,636
Gap	(104,586,312)	111,435,407	(80,986,587)	(54,378,416)	(97,579,366)	16,922,650

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)	23,746,779

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, 2020

(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	$ 4,339,872	$ 686,488	$ 1,448,642	$ 535,083	$ 170,022	$ 1,499,637
Main capital outflow on maturity	4,318,776	923,214	1,130,312	472,516	585,694	1,207,040
Gap	21,096	(236,726)	318,330	62,567	(415,672)	292,597

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

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

51. 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 56 to the financial statements for the years ended December 31, 2020.

52. 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: Table 3 (attached)

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 4 (attached)

9) Sale of nonperforming loans: None

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

11) Other significant transactions which may affect the decisions of users of financial reports: Table 5 (attached)

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

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

53. 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.

UNION BANK OF TAIWAN

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 (Singapore) Holding PTE. Ltd.	Receivables of affiliates	$ 1,022,980 (JPY 3,700,000)	$ 1,022,980 (JPY 3,700,000)	$ 726,378 (JPY 2,627,225)	1.5	Business transaction	$ 1,022,980 (JPY 3,700,000)	-	$ -	-	$ -	$ 2,998,292	$ 2,998,292
		Uflc Capital (Singapore) Holding PTE. Ltd.	Receivables of affiliates	1,797,127 (JPY 6,500,000)	1,797,127 (JPY 6,500,000)	1,527,228 (JPY 5,523,808)	1.5	Business transaction	1,797,127 (JPY 6,500,000)	-	-	-	-	2,998,292	2,998,292
		Feng Sheng Steel CO., LTD.	Account receivable	18,000	18,000	13,622	7-10	Short-term financing	-	Business financing	136	Real estate	19,326	2,998,292	2,998,292
		Minamoto Kitazawa International Co., Ltd.	Account receivable	35,000	35,000	23,808	3-6	Short-term financing	-	Business financing	476	Real estate	27,400	2,998,292	2,998,292
		Megaful CO., LTD.	Account receivable	66,100	66,100	64,161	3-6	Short-term financing	-	Business financing	642	Real estate	73,484	2,998,292	2,998,292
2	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	525,314 (JPY 1,900,000)	525,314 (JPY 1,900,000)	405,284 (JPY 1,465,865)	2.75	Business transaction	525,314 (JPY 1,900,000)		-	-	-	2,998,292	2,998,292
3	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	912,387 (JPY 3,300,000)	912,387 (JPY 3,300,000)	789,493 (JPY 2,855,504)	2.75	Business transaction	912,387 (JPY 3,300,000)		-		-	2,998,292	2,998,292

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(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, 2020				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	801	$ 7,056	0.007	$ 7,056	
	Hey-Song Corporation	-	Financial assets at fair value through other comprehensive income	4,551	149,955	1.13	149,955	
	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	101,190		100,828	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	854	26,658		22,653	
	Union Green Energy Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss		556,334		556,334	
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,019	27,041	14.38	30,300	
Union Securities Investment Trust (USITC)	Stock							
	Fundrish Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	566	5,126	0.94	5,126	
	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	17,670		17,670	
	Union Emerging Asia Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	486	5,675		5,675	
	Union Money Market	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,230	16,377		16,377	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	83	2,583		2,583	
	Union China	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	80	2,935		2,935	

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2020 Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
	Union Technology Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	210	$ 3,920		$ 3,920	
	Union APEC Balanced A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,358	23,340		23,340	
	Union Asian High Yield Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	2,300	24,667		24,667	
	Union Global High Dividend Strategic Investment Fund (USD-A)	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	438	5,095		5,095	
Union Finance International (HK) Limited	Stock							
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	5	US$ 663		US$ 663	
	Obsidian	-	Financial assets at fair value through other comprehensive income	17	US$ 11		US$ 11	
	Mr. Cooper Group Inc.		Financial assets at fair value through other comprehensive income	1	US$ 46		US$ 46	
	Microsoft Corp.	-	Financial assets at fair value through profit or loss	3	US$ 667		US$ 667	
	Nvidia Corp.		Financial assets at fair value through profit or loss	3	US$ 1,567		US$ 1,567	
Union Venture Capital Co., Ltd.	Stock							
	Greenway environmental technology CO., LTD.		Financial assets at fair value through other comprehensive income	1,100	17,761	2.82	17,761	
	RFD Micro Electricity Co., Ltd.		Financial assets at fair value through other comprehensive income	2,521	107,543	15.69	107,543	
	Hope vision CO., LTD.		Financial assets at fair value through other comprehensive income	1,200	31,954	2.49	31,954	
	Cosmos foreign exchange Intl. Co., Ltd.		Financial assets at fair value through other comprehensive income	1,100	95,046	9.17	95,046	
Corner Ventures DAG I-U, LLC (Delaware, US)	Stock							
	Dantari Pharmaceuticals, LLC	-	Financial assets at fair value through other comprehensive income	Preferred stock 260	US$ 260	-	US$ 260	
	Fabric Ltd.		Financial assets at fair value through other comprehensive income	Preferred stock 182	US$ 992	-	US$ 992	
	Healthy.io Limited		Financial assets at fair value through other comprehensive income	Preferred stock 2	US$ 95	-	US$ 95	
			Financial assets at fair value through other comprehensive income	Preferred stock 6	US$ 291	-	US$ 291	
			Financial assets at fair value through profit or loss	Preferred stock 31	US$ 1,559	-	US$ 1,559	
	Prismo Systems Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 49	US$ 378	-	US$ 378	

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2020 Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
	Nexar Ltd.		Financial assets at fair value through other comprehensive income	Preferred stock 83	US$ 945	-	US$ 945	
	Latigo Biotherapeutics, Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 222	US$ 154	-	US$ 154	
	Oncovalent Therapeutics Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 102	US$ 106	-	US$ 106	
	Twin Health, Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 186	US$ 614	-	US$ 614	
Corner Union LLC (Delaware, US)	Stock							
	Healthy.io Limited	-	Financial assets at fair value through other comprehensive income	Preferred stock 30	US$ 1,500	-	US$ 1,500	
		-						
Union Private Equity Co., Ltd.	Beneficiary certificates							
	Union Green Energy Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss		20		20	

(Concluded)

UNION BANK OF TAIWAN

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF PROPORTION SHARE INVESTMENT OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount	Number of Shares	Amount
Union Bank of Taiwan	Stock LINE Bank Taiwan Limited	Financial assets at fair value through other comprehensive income	LINE Bank Taiwan Limited	-	-	$ -	50,000	$ 500,000	-	$ -	-	$ -	50,000	$ 411,657
Union Finance and Leasing International Corporation	Beneficiary certificates Union Green Energy Private Equity Limited Partnership	Financial assets at fair value through profit or loss	Union Green Energy Private Equity Limited Partnership	-	-	-	-	556,334	-	-	-	-	-	556,334

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

Note 2: Investors who use the equity method in their securities accounts must fill in these two columns, the rest are not.

Note 3: The accumulated buying and selling amount should be calculated separately at market price whether it reaches 300 million yuan or 10% of the paid-in capital.

TABLE 4

UNION BANK OF TAIWAN AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 (Singapore) Holding Pte. Ltd.	Subsidiary	$ 726,378 (JPY 2,627,225)	-	$ -	-	$ -	$ -
Union Finance and Leasing International Corporation	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	1,527,228 (JPY 5,523,808)	-	-	-	-	-
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	405,284 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	789,493 (JPY 2,855,504)	-	-	-	-	-

UNION BANK OF TAIWAN

ASSET QUALITY - NONPERFORMING LOANS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2020					December 31, 2019				
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		$ 239,421	$ 112,515,889	0.21%	$ 1,751,804	507.05%	$ 264,677	$ 105,089,682	0.25%	$ 1,609,158	464.60%
	Unsecured		106,065	68,184,808	0.16%			81,673	65,572,028	0.12%		
Consumer banking	Housing mortgage (Note 4)		150,626	191,585,318	0.08%	2,410,675	1,600.44%	113,546	169,441,368	0.07%	2,132,294	1,877.91%
	Cash card		86	15,487	0.56%	2,811	3,268.60%	613	22,454	2.73%	4,407	718.92%
	Small-scale credit loans (Note 5)		90,413	35,040,265	0.26%	380,303	420.63%	96,288	29,698,095	0.32%	331,493	344.27%
	Other (Note 6)	Secured	17,774	19,393,472	0.09%	232,640	1,221.72%	16,482	18,483,090	0.09%	221,603	1,331.51%
		Unsecured	1,268	2,347,963	0.05%			161	2,376,022	0.01%		
Loan			605,653	429,083,202	0.14%	4,778,233	788.94%	573,440	390,682,739	0.15%	4,298,955	749.68%
			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			25,247	17,280,465	0.15%	142,695	565.20%	36,959	16,237,934	0.23%	159,838	432.47%
Accounts receivable factored without recourse			-	480,043	-	4,800	-	-	443,208	-	4,432	-

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, 2020 Not Reported as Nonperforming Loan	December 31, 2020 Not Reported as Nonperforming Receivable	December 31, 2019 Not Reported as Nonperforming Loan	December 31, 2019 Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 14,432	$ 68,937	$ 21,195	$ 96,575
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	198,375	730,286	136,314	738,307
Total	212,807	799,223	157,509	834,882

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

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

(Concluded)

TABLE 5

UNION BANK OF TAIWAN

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEES
DECEMBER 31, 2020
(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: Shares (Thousands)	Pro Forma Shares (Note 2)	Total: Shares (Thousands)	Total: Percentage of Ownership (%)	Note
Union bank of Taiwan	Financial - related										
	Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	$ 2,998,319	$ 33,995	153,000	-	153,000	100.00	
	Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	129,604	30,813	30,000	-	30,000	99.99	
	Union Securities Investment Trust Corporation	Taipei	Securities investment trust	99.60	414,021	24,241	31,014	-	31,014	99.60	
	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	13,462	(543)	1,000	-	1,000	99.99	
	Union Venture Capital Corporation	Taipei	Venture Investment	100.00	770,676	(12,225)	80,000	-	80,000	100.00	
	Ipass Corporation	Kaohsiung	IC card	11.40	60,044	-	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	77,164	-	6,000	-	6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	48,105	-	5,000	-	5,000	2.94	
	Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44	4,366	-	386	-	386	6.44	
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	7,352	-	160	-	160	0.81	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.47	309,392	-	12,875	-	12,875	2.47	
	Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	65,631	-	945	-	945	0.25	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	474,583	-	7,216	-	7,216	2.04	
	Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	3,213	-	600	-	600	1.00	
	LINE BIZ+ Taiwan., Ltd.	Taipei	Data processing, digital information supply and third party payment services	10.00	1,484,708	(50,261)	5,471	-	5,471	10.00	Note 3
	Nonfinancial - related										
	Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	52,281	(232)	2,000	-	2,000	40.00	
	Fu Hua Venture Corporation	Taipei	Investment	5.00	1,558	-	156	-	156	5.00	
	Li Yu Venture Corporation	Taipei	Investment	4.76	4,076	-	558	-	558	4.76	
	Lian An Service Corporation	Taipei	Security service	5.00	1,517	-	125	-	125	5.00	
	Taiwan Power Corporation	Taipei	Electricity - related business	0.0012	3,651	-	395	-	395	0.0012	
	LINE Bank Taiwan Limited	Taipei	Banking	5.00	411,657	-	50,000		50,000	5.00	
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	59,507	58,188	50	-	50	100.00	
	New Asian Ventures Ltd.	BVI	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	51,998	799	-	-	-	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	71,359 (JPY 258,098)	1,682 (JPY 6,052)	-	-	-	100.00	Note 4
	Uflc Capital (Singapore) Holding Pte. Ltd.	Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	87,823 (JPY 317,646)	(4,855) (JPY 17,470)	-	-	-	100.00	Note 4

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: Shares (Thousands)	Proportionate Share of the Bank and Its Subsidiaries in Investees: Pro Forma Shares (Note 2)	Proportionate Share of the Bank and Its Subsidiaries in Investees: Total: Shares (Thousands)	Proportionate Share of the Bank and Its Subsidiaries in Investees: Total: Percentage of Ownership (%)	Note
Union Capital (Singapore) Holding Pte. Ltd.	Nonfinancial - related										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	30.55	$ 134,251 (JPY 485,570)	$ 1,140 (JPY 4,103)	9	-	9	30.55	Note 4
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	49.00	214,705 (JPY 776,564)	21,069 (JPY 75,814)	Note 6	-	Note 6	49.00	Note 4
Kabushiki Kaisha UCJ1	Nonfinancial - related										
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	51.00	223,454 (JPY 808,209)	21,929 (JPY 78,909)	Preferred stock 15	-	Preferred stock 15	51.00	Note 4
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	51.00	289,552 (JPY 1,047,276)	16,815 (JPY 62,976)	Preferred stock 20	-	Preferred stock 20	51.00	Note 4
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	51.00	193,439 (JPY 699,647)	10,184 (JPY 36,647)	Preferred stock 13	-	Preferred stock 13	51.00	Note 4
Uflc Capital (Singapore) Holding Pte. Ltd.	Nonfinancial - related										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	69.45	305,215 (JPY 1,103,926)	2,593 (JPY 9,329)	21	-	21	69.45	Note 4
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	49.00	278,211 (JPY 1,006,256)	16,815 (JPY 60,506)	Note 7	-	Note 7	49.00	Note 4
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	49.00	185,867 (JPY 672,260)	9,785 (JPY 35,210)	Note 5	-	Note 5	49.00	Note 4
Union Securities Investment Trust Co., Ltd.	Financial - related										
	Union Private Equity Co., Ltd.	Taiwan	Investment services	100.00	29,492	(508)	3,000		3,000	100.00	
Union Venture Capital Co., Ltd.	Nonfinancial - related										
	Na He Yi Hau Electric Power Inc.	Taiwan	Electricity - related business	99.93	144,447	(4,453)	14,890		14,890	99.93	
	Ting Jie Electric Power Inc.	Taiwan	Electricity - related business	90.00	(1,795)	(2,695)	90		90	90.00	
	Union Energy Co., Ltd.	Taiwan	Investment advisory services and energy related business	100.00	99	(1)	10		10	100.00	
	Corner Union Venture Capital, LLC.	United States of America	Investment	100.00	234,511 (US$ 7,950)	2,201 (US$ 74)	-		-	100.00	
Corner Union Venture Capital, LLC.	Nonfinancial - related										
	Corner Ventures DAG I-U, LLC.	United States of America	Investment	100.00	185,106 (US$ 6,493)	713 (US$ 24)	-		-	100.00	
	Corner Union, LLC.	United States of America	Investment	100.00	41,952 (US$ 1,472)	840 (US$ 28)	-		-	100.00	

Note 1: Except 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

INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Name of Major Shareholder	Shares			
	Number of Shares			Percentage of Ownership (%)
	Ordinary Shares	Preferred Shares	Total	
Tsong-Li Investment Co., Ltd.	246,153	-	246,153	7.47
Pai-Sheng Investment Co., Ltd	156,818	8,167	164,985	5.00

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

UNION BANK OF TAIWAN

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

UNION BANK OF TAIWAN

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Amounts
Cash on hand (Note)	$ 5,740,402
Checks for clearing	1,171,066
Due from banks	1,229,866
	$ 8,141,334

Note: Including US$7,159 thousand @28.508, JPY927,238 thousand @0.2765, HK$41,492 thousand @3.6775, EUR3,191 thousand @35.0534 and CNY20,459 thousand @4.3813.

UNION BANK OF TAIWAN

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2020
(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		37,474		$ 503,141	9.44-29.95	$ 513,710	$ -	
Commercial paper		31,397,000	0.22-0.97	31,369,385		31,361,157	-	
Asset-based securities		46,054	7.00-9.98	46,054		57,897	-	Due before April 2025
Future exchange margins				56,665		56,665	-	
Government bond	300,000		0.25	298,713		298,124	-	
Stock		489		48,073	77-166	50,496	-	
Negotiable certificates of deposits	1,000,000		0.29-0.31	1,000,000		999,450	-	
Derivative instruments								
Foreign exchange forward contracts						60,430	-	
Currency swap contracts						514,083	-	
Option contracts						55,718	-	
						630,231		
						$ 33,967,730		

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

Note 2: $17,501,131 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, 2020
(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)		$ 6,050,000	0.50-2.00	$ 6,207,372	$ -	$ 6,364,162	
Overseas government bonds (Note 1)		5,655,987	2.38-4.50	5,614,047	(8,892)	6,192,951	
Corporate bonds (Note 1)		8,350,000	0.44-1.41	8,366,938	(3,589)	8,410,769	
Overseas corporate bonds (Note 1)		13,352,158	1.28-11.75	13,387,066	(17,789)	14,093,944	
Overseas bond debentures (Note 1)		5,865,044	0.93-6.80	5,941,716	(31,829)	6,190,979	
Domestic listed shares (Note 1)	98,814			3,913,008	-	4,231,079	
Overseas listed shares							
VISA	939			331,343	-	5,847,572	$6,225
Unlisted shares	97,227			982,698	-	1,475,939	
				$ 44,744,188	$ (62,099)	$ 52,807,395	

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

Note 2: $9,216,124 thousand of financial instruments at fair value through other comprehensive income was sold under repurchase agreements.

STATEMENT 4

UNION BANK OF TAIWAN

STATEMENT OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2020
(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	9,775,700	$ -	$ 476,826	0.50-2.63	$ 10,252,526	None	
Asset-based securities (Note 2)	29,322,172	(179,600)	27,564	1.50-5.50	29,170,136	None	
Negotiable certificates of deposits (NCD)							
NCD issued by the CBC	51,275,000	-	-		51,275,000	None	
					$ 90,697,662		

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: $23,249,254 thousand of financial instruments at amortized cost was sold under repurchase agreements.

UNION BANK OF TAIWAN

STATEMENT OF SECURITIES PURCHASED UNDER RESALE AGREEMENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Par Value	Book Value	Note
Commercial paper	$ 21,409,500	$ 21,377,310	
Corporate bonds	39,396,000	39,645,492	
Negotiable certificates of deposits	2,850,000	2,850,171	
		$ 63,872,973	

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, 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Balance, January 1, 2020		Addition in Investment		Decrease in Investment		Increase (Decrease) in Using Equity Method	Balance, December 31, 2020			Market Value or Net Assets Value	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	%	Amount		
Union Finance and Leasing International Corporation (UFLIC)	144,000	$ 2,973,739	9,000	$ -	-	$ 9,415	$ 33,995	153,000	100.00	$ 2,998,319	$ 2,998,319	None
Union Securities Investment Trust Corporation (USITC)	29,879	388,935	1,140	845	-	-	24,241	31,019	99.60	414,021	414,021	None
Union Finance Internation (HK) Limited	30,000	104,186	-	-	-	5,395	30,813	30,000	99.99	129,604	129,604	None
Union Information Technology Corporation (UIT)	1,000	20,832	-	-	-	6,827	(543)	1,000	99.99	13,462	13,462	None
Union Venture Capital Co., Ltd.	30,000	299,846	50,000	500,000	-	16,945	(12,225)	80,000	100.00	770,676	770,676	
Associates												
Union Real Estate Management Corporation	2,000	52,513	-	-	-	-	(232)	2,000	40.00	52,281	52,281	None
LINE BIZ+ Taiwan, Ltd.	5,471	1,534,969	-	-	-	-	(50,261)	5,471	10.00	1,484,708	1,484,708	
		$ 5,375,020		$ 500,845		$ 38,582	$ 25,788			$ 5,863,071	$ 5,863,071	

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, 2020
(In Thousands of New Taiwan Dollars)

Items	Amount
Refundable deposits	$ 2,232,783
Prepaid expenses	353,828
Prepaid pension cost	164,801
Others (Note)	188
	$ 2,751,600

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, 2020
(In Thousands of New Taiwan Dollars)

Items	Amounts
Saving deposits	
Withdrawals of interest savings deposits	$ 141,564,383
Demand deposits	174,833,841
Round-amount savings deposits	46,548,945
Staff demand savings deposits	1,701,219
Regular deposits	273,169
	364,921,557
Time deposits	
General deposits	48,224,694
Policy-based deposits	13,822,480
Foreign-exchange time deposits	51,426,240
	113,473,414
Demand deposits	
General deposits	85,578,314
Foreign-exchange deposits	29,982,827
	115,561,141
Checking deposits	13,941,078
Negotiable certificates of deposits	305,900
Inward and outward remittances	66,424
	$ 608,269,514

UNION BANK OF TAIWAN

STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENT
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Face value	Amount	Note
Commercial paper	$ 16,522,500	$ 16,513,416	
Assets-based securities	23,249,254	18,014,455	
Negotiable certificate of deposits	1,000,000	1,000,286	
Corporate bonds	4,818,828	5,011,996	
Government bonds	2,747,753	2,749,077	
Financial bonds	1,282,860	1,138,946	
		$ 44,428,176	

UNION BANK OF TAIWAN

STATEMENT OF BANK DEBENTURES
DECEMBER 31, 2020
(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 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
						$ 7,200,000	$ 7,200,000

UNION BANK OF TAIWAN

STATEMENT OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Amounts
Discounts and loans	
Short-term loans	$ 509,957
Medium-term loans	1,062,962
Long-term loans	156,994
Short-term secured loan	1,536,113
Medium-term secured loan	1,628,221
Long-tern secured loan	2,999,973
Other (Note)	179,460
	8,073,680
Credit card interest	834,266
Due from the Central Bank and call loans to bank	127,370
Reverse repurchased agreement	221,157
Investment in marketable securities	
Fair value through other comprehensive income	958,260
Investments in debt instruments at amortized cost	1,621,720
	2,579,980
Other (Note)	21,739
	$ 11,858,192

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

UNION BANK OF TAIWAN

STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Amounts
Deposits	
Time deposits	$ 399,977
Lump sum deposits	420,461
Principal deposits	1,317,221
Foreign exchange time deposits	810,861
Demand saving deposits	178,108
Other (Note)	63,179
	3,189,807
Bills and bonds sold under repurchase agreements	571,777
Bank debentures payables	256,508
Postal remittance	39,340
Other (Note)	101,298
	$ 4,158,730

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

STATEMENT 13

UNION BANK OF TAIWAN

STATEMENT OF NET PROFIT OR LOSS OTHER THAN INTEREST
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Amounts
Rental revenue	$ 14,483
Bad debts written off	(7,556)
Other (Note)	12,182
	$ 19,109

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

UNION BANK OF TAIWAN

STATEMENT OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

	Amount				
Items	Personnel Expenses	Net Profits Other than Interest	Other Operating Expenses	Total	Note
Employee benefit expenses					
Salaries and wages	$ 3,165,954	$ -	$ -	$ 3,165,954	
Labor insurance and national health insurance	296,614	-	-	296,614	
Pension	163,883	-	-	163,883	
Directors remuneration	13,430	-	1,278	14,708	
Others	55,627	-	-	55,627	
	$ 3,695,508	$ -	$ 1,278	$ 3,696,786	

Note 1: In 2020 and 2019, the Bank had an average of 4,019 and 3,987 employees, respectively, and 8 non-employee directors in both years.

Note 2: In 2020 and 2019, the annual average employee benefits expenses was $918 thousand and $898 thousand, respectively.

Note 3: In 2020 and 2019, the annual average salaries and wages were $789 thousand and $775 thousand, respectively.

Note 4: The average adjustment to salaries and wages is 1.81%.

Note 5: The bank's salary and remuneration policies are as follows:

a. The director's remuneration is based on "Director's Remuneration Approval Principle", director's remuneration mainly include meeting attendance and remuneration. The remuneration is paid in fixed amount, the amount cannot exceed 0.1% of the bank's profit.

b. The Bank has "Manager's Salary Bracket", the fixed salary is based on comprehensive considerations such as responsibilities of the position, work ability performance and professional skills required for the position, and is assessed with reference to the industry standard. Other than fixed salary and allowance, bonus is based on the Bank's overall operating performance, personal performance and 1% to 5% of employees' compensation. Therefore, manager's remuneration and bank's overall operation performance is closely related. If there is a major risk event that will effects company's goodwill, inappropriate internal management or fraud occur, it will influence the manager's bonus. Every quarter the bank's risk management department will analysize risk control and level of exposure and report to the board of directors.

(Continued)

c. In the Bank “Human Resources Management Regulation of Salary’s Guideline”, it regulate the standard of employees’ salary, allowance and bonus and also applied to corporate social responsibility policy to make the reasonable salary and remuneration policies. Which include regular salary promotion and legitimate salary adjustment. If the Bank has profit, the board of director will consider the bank overall operating performance to give employees year-end bonus, performance bonus and employee provision, that is about 1% to 5% of profit.

(Concluded)

Union Bank of Taiwan

Securities Department Disclosure
Years Ended December 31, 2020 and 2019

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents	$ 200	-	$ 200	-
Financial assets at fair value through profit and loss (Note 5)	298,124	3	-	-
Financial assets at fair value through other comprehensive income - current (Note 6)	5,963,441	68	3,116,471	65
Receivables, net (Note 7)	1,448,070	17	603,460	13
Prepayments	10,191	-	5,462	-
Other current assets	78,311	1	329	-
Total current assets	7,798,337	89	3,725,922	78
NON-CURRENT ASSETS				
Financial assets at amortized cost (Note 8)	715,346	8	719,695	15
Operating guaranty deposits (Note 9)	150,000	2	150,000	3
Settlement clearing deposits (Note 10)	23,753	-	24,370	-
Refundable deposits	35,975	1	35,975	1
Inter department debits (Note 15)	-	-	119,898	3
Total non-current assets	925,074	11	1,049,938	22
TOTAL	$ 8,723,411	100	$ 4,775,860	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Securities sold under repurchase agreements (Note 10)	$ 4,945,148	57	$ 3,311,735	70
Accounts payable (Note 11)	1,420,825	16	584,479	12
Receipts under custody	79,240	1	1,264	-
Other payables	42,305	-	13,640	-
Total current liabilities	6,487,518	74	3,911,118	82
NON-CURRENT LIABILITIES				
Inter department (Note 15)	1,266,017	15	-	-
Total liabilities	7,753,535	89	3,911,118	82
EQUITY				
Registered operating capital	840,000	10	840,000	18
Retained earnings				
Other equity	84,461	1	17,632	-
Unrealized gain on financial assets at fair value through other comprehensive income				
Unrealized gain on available for sale financial assets	45,415	-	7,110	-
Total equity	969,876	11	864,742	18
TOTAL	$ 8,723,411	100	$ 4,775,860	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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	**%**	**Amount**	**%**
REVENUES (Note 4)				
Brokerage fee revenue, net (Note 15)	$ 184,249	73	$ 105,996	66
Underwriting business revenue	407	-	371	-
Net profit from sale of operation securities - dealing	8,046	3	1,783	1
Interest revenue	38,944	16	33,617	21
Net gains on measurement at fair value through profit or loss for securities held for operations	52	-	431	-
Net gains on investments in debt instruments at fair value through other comprehensive income	-	-	346	-
Commission revenues	2,456	1	1,727	1
Other operating revenues	16,905	7	17,090	11
Expected credit loss (Note 4)	(524)	-	7	-
Total revenues	250,535	100	161,368	100
COST AND EXPENSES				
Brokerage fee expenses, net	12,820	5	7,498	5
Financial costs	3,236	1	3,380	2
Employee benefit expenses (Note 13)	108,946	44	98,219	61
Depreciation and amortization	11,202	4	12,901	8
Others (Note 14)	62,546	25	56,117	35
Total cost and expenses	198,750	79	178,115	111
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses	51,927	21	38,255	24
PROFIT BEFORE INCOME TAX	103,712	42	21,508	13
INCOME TAX EXPENSE (Note 4)	19,251	8	3,876	2
NET INCOME	84,461	34	17,632	11
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	38,305	15	70	-
TOTAL COMPREHENSIVE LOSS	$ 122,766	49	$ 17,702	11

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

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, 2020 and 2019

The numbers of employees in the Department as of December 31, 2020 and 2019 were 125 and 117, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved and authorized the issue of the financial statements on March 10, 2021.

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.

Financial assets

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

a. Measurement category

   Financial assets are classified into the following categories: Financial assets at 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 FVTPL

	December 31	
	2020	**2019**
Government bond	$ 298,124	$ -

6. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2020	2019
Corporate bonds	$ 3,678,536	$ 2,565,737
Government bond	2,284,905	550,734
	$ 5,963,441	$ 3,116,471

The Department sold $4,642,462 thousand and $3,116,471 thousand of its financial assets at FVTOCI under several repurchase agreements on December 31, 2020 and 2019, respectively.

7. RECEIVABLES, NET

	December 31	
	2020	2019
Investments receivable	$ 1,078,977	$ 545,843
Interest receivable	23,762	17,623
Reimbursed for settlement	345,331	39,994
	$ 1,448,070	$ 603,460

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2020	2019
Debt instruments		
Government bonds	$ 715,346	$ 719,695

9. OPERATING GUARANTEE DEPOSITS

	December 31	
	2020	2019
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 $150,000 thousands in time deposits in designated banks as operating guarantee deposits as of December 31, 2020 and 2019 in accordance with the Securities and Exchange Act, Regulations Governing Securities Firms, Regulations Governing Offshore Funds, and Regulations Governing Futures Commission Merchants.

10. SETTLEMENT CLEARING DEPOSITS

	December 31	
	2020	2019
Taiwan Stock Exchange Corporation settlement clearing deposits	$ 13,737	$ 13,882
Taipei Exchange settlement clearing deposits	10,016	10,488
	$ 23,753	$ 24,370

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.

11. BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Government bonds	$ 1,045,735	$ 605,090
Corporate bonds	3,899,413	2,706,645
	$ 4,945,148	$ 3,311,735
Maturity date	January to March 2021	January to July 2020
Repurchase price	$ 4,946,605	$ 3,314,382

12. PAYABLES

	December 31	
	2020	2019
Investments receivable	$ 1,349,789	$ 455,093
Reimbursed for settlement	69,746	127,991
Others	1,290	1,395
	$ 1,420,825	$ 584,479

13. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2020	2019
Employee benefit expense		
Salaries	$ 88,291	$ 78,299
Labor and health insurance	8,963	8,627
Pension	5,230	4,889
Others	6,462	6,404
	$ 108,946	$ 98,219

14. OTHER OPERATING EXPENSE

	For the Year Ended December 31	
	2020	2019
Computer operating	$ 9,666	$ 7,584
Maintenance charge	4,973	4,857
Postage/cable charge	4,482	4,298
Taxation	4,185	2,590
Utilities	2,053	2,033
Others	37,187	34,755
	$ 62,546	$ 56,117

15. 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

		December 31	
Related Party	Account	2020	2019
Union Bank of Taiwan	Inter-Department Debits	$ (1,266,017)	$ 119,898

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.

16. 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			
	2020		2019	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
<u>Assets</u>				
Financial assets at amortized cost	$ 715,346	$ 729,005	$ 719,695	$ 726,616

Fair value hierarchy:

Item	**December 31, 2020**			
	Total	**Level 1**	**Level 2**	**Level 3**
<u>Financial asset</u>				
Financial assets at amortized cost	$ 729,005	$ -	$ 729,005	$ -

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

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, 2020 and 2019 were as follows:

Item	December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Measured at fair value on a recurring basis nonderivative financial instruments				
Assets				
Financial assets at FVTPL				
Bond investments	$ 298,124	$ -	$ 298,124	$ -
Financial assets at FVTOCI				
Bond investments	5,963,441	-	5,963,441	-

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	$ -

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 2020 and 2019.

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, 2020

	FVTOCI	Amortized Cost	Total
Carrying value	$ 5,920,442	$ 715,346	$ 6,635,788
Loss allowance	(1,208)	-	(1,208)
Fair value	44,207	-	44,207
	$ 5,963,441	$ 715,346	$ 6,678,787

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

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, 2020
Low credit risk	The debtor has low credit risk	12-month ECL	0%-0.06%	$ 6,678,787
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, 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%	-

Note: Credit rating of investment in debt instruments on December 31, 2020 and 2019 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, 2020	$ 875	$ -	$ -
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	423	-	-
Derecognition	(74)	-	-
Risk/model parameter change	-	-	-
Other changes	(16)	-	-
Balance at December 31, 2020	$ 1,208	$ -	$ -
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	$ -	$ -

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.

17. 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.

18. RELATED INFORMATION ON EQUITY INVESTMENTS IN INVESTEES: NONE

19. INVESTMENT IN MAINLAND CHINA: NONE

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOST - CURRENT
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

					Fair Value	
Item	**Maturity Date**	**Fair Value**	**Interest Rate %**	**Issue Price**	**Unit Price**	**Total Price**
Government bond						
A09109	2030/10/14	$ 300,000	0.2500	$ 298,713	99.3754	$ 298,124

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Maturity Date	Interest Rate %	Fair Value	Accumulated Impairment	Historical Cost Unit Price	Historical Cost Total Price	Fair Value Unit Price	Fair Value Total Price
Government bond								
A05113V	2021/10/25	0.63	$ 300,000	$ -	99.9444	$ 299,833	103.3799	$ 301,140
A08109	2023/10/16	0.63	600,000	-	101.2692	607,615	102.8878	617,327
A09103	2029/06/26	0.50	750,000	-	100.4816	753,612	101.8630	763,973
Other (Note 2)			600,000	-		599,560		602,465
			2,250,000	-		2,260,620		2,284,905
Corporate bonds								
B618C1	2027/09/03	0.58	300,000	(56)	100.1206	300,362	100.0432	300,129
B903XP	2027/12/15	0.45	500,000	(155)	100.0000	500,000	100.0000	500,000
B903V4	2022/12/26	1.39	400,000	(127)	101.0900	404,360	101.7985	407,194
B903WJ	2022/12/15	0.88	300,000	(93)	100.0000	300,000	100.5942	301,783
B903X6	2024/12/16	0.75	470,000	(146)	100.0000	470,000	101.2333	475,796
Other (Note 2)			1,680,000	(631)		1,683,892		1,693,634
			3,650,000	(1,208)		3,658,614		3,678,536
			$ 5,900,000	$ (1,208)		$ 5,919,234		$ 5,963,441

Note 1: Total amount under repurchase agreement is $4,642,462 thousand.

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

STATEMENT 3

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF BONDS UNDER PURCHASE AGREEMENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

	Transaction Terms				
Item	**Issue Date**	**Maturity Date**	**Interest Rate %**	**Fair Value**	**Issue Price**
Government bond					
A05113V	2020/12/21	2021/03/19	0.21	$ 199,800	$ 219,319
A09103	2020/11/11	2021/02/09	0.21	198,900	214,947
HB0701	2020/12/21	2021/04/20	0.26	192,000	210,622
HB0904	2020/11/18	2021/01/18	0.21	190,900	209,873
Other	2020/12/30	2021/02/24	0.20	173,000	190,974
				954,600	1,045,735
Corporate bonds					
B618C1	2020/12/25	2021/01/25	0.26	300,000	318,438
B903XP	2020/12/17	2021/01/22	0.25	500,000	550,000
B903V4	2020/12/31	2021/03/29	0.25	400,000	425,074
B903WJ	2020/12/07	2021/02/19	0.26	300,000	320,004
B903X6	2020/12/21	2021/02/19	0.26	470,000	490,500
Other (Note)	2020/12/07	2021/02/19	0.26	1,680,000	1,795,397
				3,650,000	3,899,413
				$ 4,604,600	$ 4,945,148

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

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF FINANCIAL ASSETS AT AMORTISED COST
DECEMBER 31, 2020
(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
A03106H	700,000	2024/03/30	$ 12,638	1.50%	$ -	$ 715,346	None

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

ITEM STATEMENT (SORTED BY BUSINESS CATEGORY)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Broker Amount	Broker %	Dealer Amount	Dealer %	Total	%
Profit (loss)						
Operating revenue						
Brokerage fee revenue	$ 184,249	91	$ -	-	$ 184,249	73
Underwriting business revenue	407	-	-	-	407	-
Profit from sale of operation securities - dealing	-	-	8,046	17	8,046	3
Interest revenue	-	-	38,944	84	38,944	16
Net profit from operating securities at fair value through profit or loss	-	-	52	-	52	-
Commission revenue	2,456	1	-	-	2,456	1
Others operating revenue	16,905	8	-	-	16,905	7
Expected credit losses	-	-	(524)	(1)	(524)	-
	204,017	100	46,518	100	250,535	100
Operating expense						
Brokerage fee	12,820	6	-	-	12,820	5
Finance cost	3,236	2	-	-	3,236	1
Employee benefits expense	95,854	47	13,092	28	108,946	44
Depreciation and amortization expense	11,202	5	-	-	11,202	4
Other operating expense	44,641	22	17,905	39	62,546	25
	167,753	82	30,997	67	198,750	79
Profit (loss)	36,264	18	15,521	33	51,785	21
Other income and losses	51,927	25	-	-	51,927	21
Profit before tax	88,191	43	15,521	33	103,712	42
Income tax expense	17,638	8	1,613	3	19,251	8
Net profit (loss)	70,553	35	13,908	30	84,461	34
Other comprehensive income	-	-	38,305	82	38,305	15
Total comprehensive income	$ 70,553	35	$ 52,213	112	$ 122,766	49

STATEMENT 6

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF BROKERAGE FEE REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Securities Brokerage at Stock Exchange Market	Securities Brokerage at Over the Counter Market	Securities Lending Fee	Total
January	$ 12,448	$ 2,732	$ -	$ 15,180
February	13,871	3,490	-	17,361
March	20,934	4,791	-	25,725
April	16,480	4,192	-	20,672
May	17,832	5,581	-	23,413
June	19,117	6,599	-	25,716
July	28,838	10,552	-	39,390
August	23,461	6,506	-	29,967
September	20,213	5,623	-	25,836
October	15,087	4,072	23	19,182
November	23,071	6,694	7	29,772
December	32,839	8,306	1	41,146
	$ 244,191	$ 69,138	$ 31	$ 313,360

STATEMENT 7

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF DISCOUNTS ON BROKERAGE FEE REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Month	Stock Exchange Market	Over-the-Counter	Total
January	$ 4,562	$ 920	$ 5,482
February	5,716	1,364	7,080
March	7,735	1,827	9,562
April	6,699	1,586	8,285
May	7,140	2,178	9,318
June	7,584	2,781	10,365
July	11,928	4,441	16,369
August	9,996	2,665	12,661
September	8,536	2,487	11,023
October	6,299	1,686	7,985
November	10,053	2,872	12,925
December	14,372	3,684	18,056
	$ 100,620	$ 28,491	$ 129,111

STATEMENT 8

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF SECURITIES SOLD
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	$ 4,736,209	$ 4,728,163	$ 8,046

STATEMENT 9

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Amounts
Interest revenue from bond investments	
Interest from financial assets at FVOCI	$ 30,500
Interest from financial assets at amortized cost	8,431
	38,931
Others	13
	$ 38,944

STATEMENT 10

UNION BANK OF TAIWAN
SECURITIES DEPARTMENT

LIST OF OPERATING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	2020	2019
Employee benefit expense		
Salary expense	$ 88,291	$ 78,299
Insurance expense	8,963	8,627
Pension expense	5,230	4,889
Others (Note)	6,462	6,404
	108,946	98,219
Depreciation and amortization expense		
Depreciation expense	5,983	8,531
Amortization expense	5,219	4,370
	11,202	12,901
Other operating expense		
Computer operating expense	9,666	7,584
Maintenance expense	4,973	4,857
Postage/cable fee	4,482	4,298
Utilities	2,053	2,033
Tax	4,185	2,590
Others (Note)	37,187	34,755
	62,546	56,117
	$ 182,694	$ 167,237

Note 1: Total number of employees was 125 and 117 in 2020 and 2019, 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, 2020 and 2019 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, 2020 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 10, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 are described as follows:

Assessment of the Impairment of Discounts and Loans

As of December 31, 2020, the net amount of discounts and loans of the Company was represented approximately 56% 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 by making 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, 2020.

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 the classification of credit assets required by the regulations on making 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 consolidated financial statements.

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

1. We obtained an understanding of the relevant internal controls in respect of the Bank's loan impairment assessment and tested the operating effectiveness of such controls.

2. We tested the classification of credit assets in accordance with relevant regulations issued by management and authorities. In addition, we evaluated the reasonableness of the adjustments to the classification.

3. We assessed the reasonableness and consistency of the methodology applied by management in the calculation of expected credit losses; we tested the completeness of the loans and the accuracy of the calculation of expected credit losses for selected loans.

Other Matter

We have also audited the separate financial statements of Union Bank of Taiwan as of and for the years ended December 31, 2020 and 2019 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, 2020 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 audits resulting in this independent auditors' report are Jui-Chan Huang and Chen-Hsiu Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2021

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 8,961,438	1	$ 12,382,445	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 48)	24,325,798	3	17,344,886	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	34,881,848	5	30,917,254	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9 and 11)	53,403,733	7	41,236,965	6
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 10 and 11)	90,697,662	12	104,170,149	15
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	63,911,473	9	51,417,825	7
RECEIVABLES, NET (Notes 4, 5, 13 and 15)	24,936,576	3	21,177,107	3
CURRENT TAX ASSETS	50,085	-	58,716	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14, 15 and 47)	422,845,363	56	384,649,673	55
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 17)	1,536,989	-	1,587,482	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18 and 48)	4,549,698	1	3,632,648	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 19)	7,925,277	1	7,969,302	1
RIGHT-OF-USE ASSETS (Notes 4 and 20)	1,741,760	-	1,439,735	-
INVESTMENT PROPERTIES, NET (Notes 4, 21, 31 and 48)	5,288,112	1	5,369,780	1
INTANGIBLE ASSETS (Notes 4 and 22)				
Goodwill	1,985,307	-	1,985,307	-
Computer software	181,030	-	152,150	-
Total intangible assets	2,166,337	-	2,137,457	-
DEFERRED TAX ASSETS (Notes 4 and 45)	792,478	-	698,921	-
OTHER ASSETS, NET (Notes 4, 23, 34, 47 and 49)	9,543,375	1	8,970,842	1
TOTAL	$ 757,558,002	100	$ 695,161,187	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 24)	$ 12,481,114	2	$ 11,860,732	2
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 25)	3,786,720	1	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	206,002	-	650,981	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Note 26)	44,428,176	6	65,377,436	9
PAYABLES (Note 27)	5,594,014	1	4,615,289	1
CURRENT TAX LIABILITIES	121,567	-	369,729	-
DEPOSITS AND REMITTANCES (Notes 28 and 47)	606,860,499	80	532,899,100	77
BANK DEBENTURES (Note 29)	7,200,000	1	10,200,000	1
PREFERRED STOCK LIABILITY (Note 30)	524,000	-	-	-
BONDS PAYABLE (Notes 21 and 31)	1,464,796	-	1,473,858	-
OTHER FINANCIAL LIABILITIES (Note 32)	7,420,161	1	4,887,786	1
PROVISIONS (Notes 4, 5, 33 and 34)	268,774	-	258,535	-
LEASE LIABILITIES (Notes 4, 20 and 47)	1,723,121	-	1,415,180	-
DEFERRED TAX LIABILITIES (Notes 4 and 45)	1,696,935	-	1,617,201	-
OTHER LIABILITIES (Notes 35 and 49)	3,589,711	-	3,285,481	1
Total liabilities	697,365,590	92	638,911,308	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital				
Ordinary shares	30,933,688	4	28,844,553	4
Preference shares	2,000,000	-	2,000,000	-
Total share capital	32,933,688	4	30,844,553	4
Capital surplus	8,040,035	1	8,035,484	1
Retained earnings				
Legal reserve	7,883,630	1	6,875,793	1
Special reserve	627,440	-	627,440	-
Unappropriated earnings	4,854,972	1	5,180,139	1
Total retained earnings	13,366,042	2	12,683,372	2
Other equity	5,851,070	1	4,684,892	1
Total equity attributable to owners of the Bank	60,190,835	8	56,248,301	8
NON-CONTROLLING INTERESTS	1,577	-	1,578	-
Total equity	60,192,412	8	56,249,879	8
TOTAL	$ 757,558,002	100	$ 695,161,187	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, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST (Notes 4, 37 and 47)					
Interest revenue	$ 11,923,484	83	$ 12,003,109	87	(1)
Interest expense	4,282,424	30	5,525,647	40	(22)
Net interest	7,641,060	53	6,477,462	47	18
NET REVENUE OTHER THAN INTEREST					
Commissions and fee revenue, net (Notes 4, 38 and 47)	2,820,473	19	2,716,846	19	4
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 39)	1,771,015	12	1,485,872	11	19
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 40)	418,748	3	346,202	2	21
Share of loss of associates (Notes 4 and 17)	(50,493)	-	(35,980)	-	40
Foreign exchange gain (loss) (Note 4)	(1,006,456)	(7)	369,470	3	(372)
Reversal of impairment loss (impairment loss) on assets (Notes 4 and 41)	128,860	1	(42,921)	-	400
Securities brokerage fee revenue, net (Note 4)	320,764	2	235,895	2	36
Rental revenue (Note 4)	2,278,320	16	2,236,624	16	2
Other noninterest gain, net	108,071	1	76,712	-	41
TOTAL NET REVENUE	14,430,362	100	13,866,182	100	4
PROVISIONS (Notes 4, 5, 15 and 33)					
Provision of allowance for doubtful accounts and provision for losses on commitments and guarantees	290,540	2	240,675	2	21
OPERATING EXPENSES					
Employee benefit expense (Notes 34 and 42)	3,965,882	28	3,831,242	27	4
Depreciation and amortization (Notes 4 and 43)	2,492,408	17	2,483,882	18	-
Others (Notes 44 and 47)	3,739,857	26	3,282,927	24	14
Total operating expenses	10,198,147	71	9,598,051	69	6

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INCOME BEFORE INCOME TAX	$ 3,941,675	27	$ 4,027,456	29	(2)
INCOME TAX EXPENSE (Notes 4 and 45)	500,170	3	655,978	4	(24)
CONSOLIDATED NET INCOME	3,441,505	24	3,371,478	25	2
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	7,682	-	174,293	1	(96)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	776,641	6	2,247,353	16	(65)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 45)	(108,661)	(1)	(335,033)	(2)	(68)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of the financial statements of foreign operations	(608,239)	(5)	(238,885)	(2)	155
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	1,005,636	7	1,604,564	12	(37)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 45)	121,648	1	47,777	-	155
Other comprehensive income for the year, net of income tax	1,194,707	8	3,500,069	25	(66)
TOTAL COMPREHENSIVE INCOME	$ 4,636,212	32	$ 6,871,547	50	(33)

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,441,709	24	$ 3,359,457	24	2
Non-controlling interests	(204)	-	12,021	-	(102)
	$ 3,441,505	24	$ 3,371,478	24	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 4,636,413	32	$ 6,859,589	50	(32)
Non-controlling interests	(201)	-	11,958	-	(102)
	$ 4,636,212	32	$ 6,871,547	50	(33)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 46)					
Basic	$0.96		$0.93		
Diluted	$0.96		$0.93		

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable Owners of the Company													
	Share Capital (Notes 36 and 42)				Retained Earnings (Notes 4, 36 and 56)				Other Equity (Notes 4 and 36)					
	Ordinary Shares	Preference Shares	Total	Capital Surplus (Note 32)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of 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 (Notes 3 and 56)	Total Equity
BALANCE AT JANUARY 1, 2019	$ 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
Appropriation of the 2019 earnings														
Legal reserve	-	-	-	-	1,007,837	-	(1,007,837)	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(288,446)	(288,446)	-	-	-	(288,446)	-	(288,446)
Stock dividends on common shares	2,019,119	-	2,019,119	-	-	-	(2,019,119)	(2,019,119)	-	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(480,000)	(480,000)	-	-	-	(480,000)	-	(480,000)
Net income for the year ended December 31, 2020	-	-	-	-	-	-	3,441,709	3,441,709	-	-	-	3,441,709	(204)	3,441,505
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	6,144	6,144	(486,591)	1,675,151	1,188,560	1,194,704	3	1,194,707
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	200	200
Share-based payment	70,016	-	70,016	4,551	-	-	-	-	-	-	-	74,567	-	74,567
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	22,382	22,382	-	(22,382)	(22,382)	-	-	-
BALANCE AT DECEMBER 31, 2020	$ 30,933,688	$ 2,000,000	$ 32,933,688	$ 8,040,035	$ 7,883,630	$ 627,440	$ 4,854,972	$ 13,366,042	$ (1,091,223)	$ 6,942,293	$ 5,851,070	$ 60,190,835	$ 1,577	$ 60,192,412

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,941,675	$ 4,027,456
Adjustments for:		
Depreciation expense	2,411,311	2,395,478
Amortization expense	81,097	88,404
Expected credit losses/provision of allowance for doubtful accounts	290,540	240,675
Gain on disposal of financial assets at fair value through profit or loss	(1,716,214)	(1,449,848)
Interest expense	4,282,424	5,525,647
Interest revenue	(11,923,484)	(12,003,109)
Dividend income	(458,178)	(357,904)
Share of loss of associates	50,493	35,980
Gain on disposal of properties and equipment	(43,194)	(18,089)
Gain on disposal of investments	(15,371)	(24,322)
Reversal of impairment loss on financial assets	(122,109)	-
Impairment loss on financial assets	-	63,106
Reversal of impairment loss on nonfinancial assets	(6,751)	(20,185)
Gain on disposal of collaterals	(256)	(43,640)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(7,457,990)	6,069,171
Financial assets at fair value through profit or loss	(1,909,113)	8,491,975
Financial assets at fair value through other comprehensive income	(10,349,999)	(3,984,881)
Investments in debt instruments at amortized cost	13,628,315	(10,706,007)
Receivables	(3,915,983)	(3,061,438)
Discounts and loans	(38,507,082)	(59,871,253)
Other financial assets	(942,350)	(522,300)
Deposits from the Central Bank and other banks	620,382	(251,163)
Financial liabilities at fair value through profit or loss	(784,246)	(906,274)
Securities sold under repurchase agreements	(20,949,260)	21,043,048
Payables	1,388,354	(2,393,463)
Deposits and remittances	73,961,399	18,981,025
Other financial liabilities	115,251	(11,714)
Provision for employee benefits	11,878	154,596
Other liabilities	11,171	1,800
Cash generated from (used in) operations	1,692,710	(28,507,229)
Interest received	12,072,954	11,865,208
Dividends received	458,178	357,904
Interest paid	(4,603,904)	(5,465,831)
Income tax paid	(740,537)	(152,161)
Net cash generated from (used in) operating activities	8,879,401	(21,902,109)

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (227,557)	$ (298,983)
Proceeds from disposal of properties and equipment	20	48
Payments for investment properties	(13,668)	(30,174)
Decrease in settlement fund	616	448
Increase in refundable deposits	-	(456,918)
Decrease in refundable deposits	299,958	-
Payments for intangible assets	(41,419)	(46,425)
Proceeds from disposal of collaterals	7,007	63,825
Payments for right-of-use assets	-	(974)
Increase in other assets	(2,503,824)	(2,050,024)
Net cash used in investing activities	(2,478,867)	(2,819,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to Central Bank and other banks	3,786,720	-
Increase in commercial paper	2,417,124	810,036
Repayment of bonds payable	(3,041)	-
Proceeds from issue of bank debentures	-	2,000,000
Repayments of bank debentures	(3,000,000)	(1,500,000)
Proceeds from issuance of preferred stock liability	524,000	-
Proceeds from guarantee deposits received	100,940	23,990
Repayment of the principal portion of lease liabilities	(438,309)	(436,833)
Increase in other liabilities	189,708	261,228
Changes in non-controlling interests	-	(264,909)
Dividends paid	(768,446)	(480,000)
Net cash generated from financing activities	2,808,696	413,512
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(613,667)	(236,029)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,595,563	(24,543,803)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	64,277,348	88,821,151
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 72,872,911	$ 64,277,348

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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, 2020 and 2019:

	December 31	
	2020	**2019**
Cash and cash equivalents in the consolidated balance sheets	$ 8,961,438	$ 12,382,445
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
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	63,911,473	51,417,825
Cash and cash equivalents in consolidated statements of cash flows	$ 72,872,911	$ 64,277,348

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 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%.

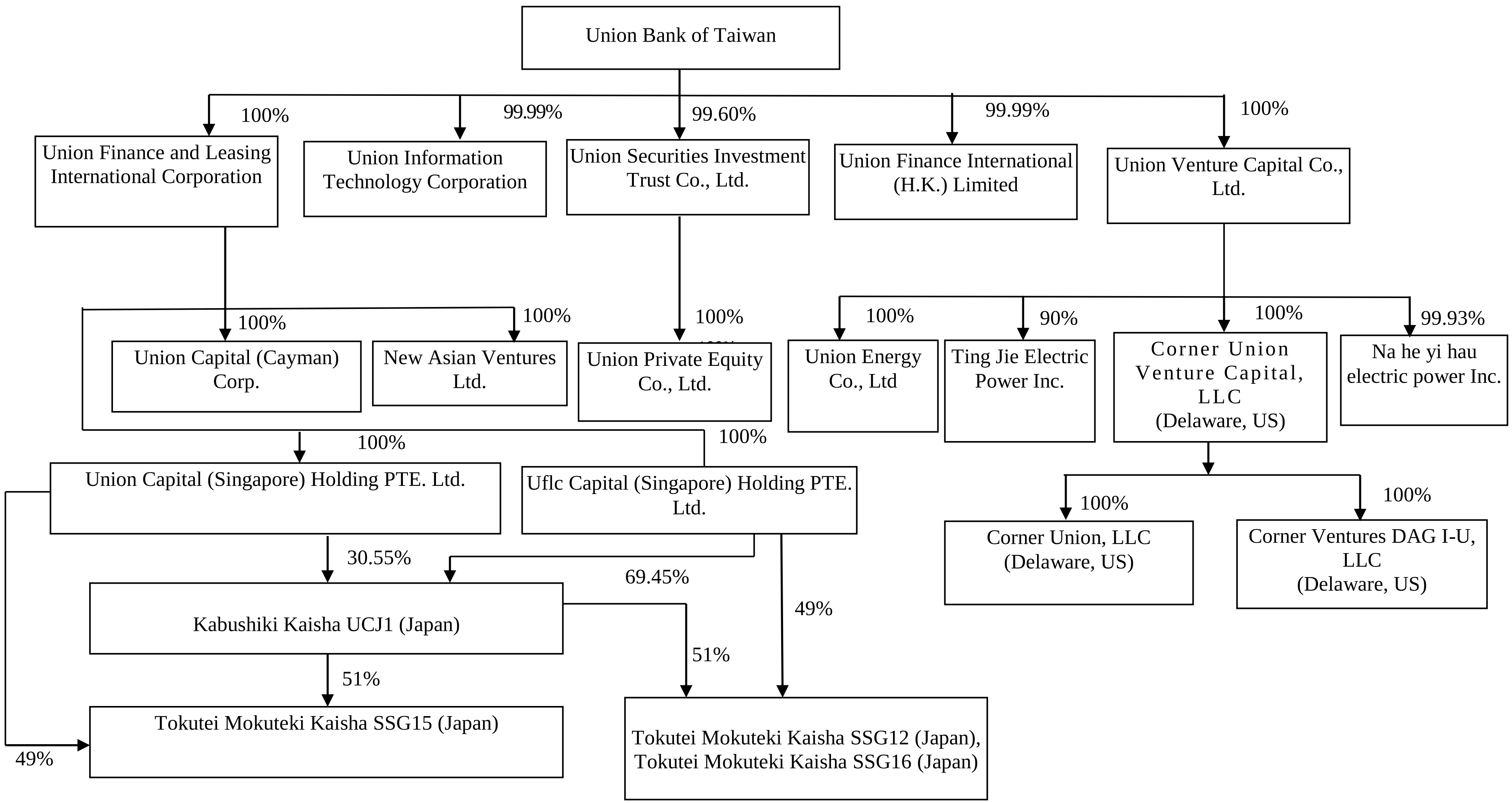
In order to actively support the FSC's needs to adapt to the nation's overall industry development and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, Union Bank of Taiwan established Union Venture Capital in coordination with the nation's financial policies, which was approved by the board of directors on September 26, 2018. The investment was approved by the FSC under Rule No. 10802042270. Union Venture Capital had been established by the Bank on November 21, 2019. The total investment amount was $800,000 thousand, and the Bank held 100% of Union Venture Capital's shares as of December 31, 2020.

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), three overseas representative offices in Hong Kong, Ho Chi Minh City and Hanoi, 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, 2020:



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 10, 2021.

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 IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies:

   1) Amendments to IFRS 3 "Definition of a Business

      The Company applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. 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 that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. 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"

      Upon retrospective application of the amendments, the Company complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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.

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

      The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to "could reasonably be expected to influence". Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

  "Interest Rate Benchmark Reform - Phase 2" primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

  Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

  The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

  Hedging accounting

  The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

  1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.

  2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

  3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

  4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

  Upon initial application of the aforementioned amendments, the Company will recognize the cumulative effect of retrospective on January 1, 2021. The anticipated impact on assets, liabilities and equity is set

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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 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.

2) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

3) Amendments to IFRS 3 “'Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

4) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The company will restate its comparative information when it initially applies the aforementioned amendments.

5) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Company will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

6) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- the Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) the Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) the Company chose the accounting policy from options permitted by the standards;

c) the accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

d) the accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

7) Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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.

   <u>Attribution of total comprehensive income to non-controlling interests</u>

   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.

   <u>Changes in the Company's ownership interests in existing subsidiaries</u>

   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 entity, transactions in currencies other than the Company'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 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 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 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 an entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's 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 an 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 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 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.

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.

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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders 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 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	
	2020	**2019**
Cash on hand	$ 5,740,617	$ 6,865,686
Checks for clearing	1,171,066	1,076,011
Due from banks	2,049,755	4,440,748
	$ 8,961,438	$ 12,382,445

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

	December 31	
	2020	**2019**
Deposit reserve - checking account	$ 8,585,673	$ 2,968,938
Required deposit reserve	15,640,347	13,808,552
Deposit reserve - foreign-currency deposits	99,778	90,318
Call loans to banks	-	477,078
	$ 24,325,798	$ 17,344,886

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 2020	December 31 2019
Financial assets designated as at fair value through profit or loss		
Domestic government bonds	$ 298,124	$ -
Negotiable certificates of deposit	999,450	-
Commercial paper	31,361,157	29,670,103
Overseas corporate bonds	-	27,712
Domestic listed stocks	50,496	-
Overseas listed stocks	83,215	66,800
Overseas unlisted preferred stocks	44,441	-
Beneficiary certificates	1,300,172	755,530
Futures exchange margins	56,665	61,302
Asset-backed securities	57,897	67,361
	34,251,617	30,648,808
Derivative financial instrument		
Foreign exchange forward contracts	60,430	42,044
Currency swap contracts	514,083	199,417
Option contracts	55,718	26,985
	630,231	268,446
	$ 34,881,848	$ 30,917,254
Financial liabilities held for trading		
Derivative instrument		
Option contracts	$ 55,694	$ 26,976
Forward exchange contracts	17,419	27,623
Cross-currency swap contracts	-	17,705
Currency swap contracts	132,889	578,677
	$ 206,002	$ 650,981

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, 2020 and 2019 were as follows:

	December 31 2020	December 31 2019
Currency swap contracts	$ 70,857,503	$ 67,054,536
Foreign exchange forward contracts	1,755,782	3,223,477
Cross-currency swap contracts	-	3,638,415
Option contracts		
Buy	1,779,078	1,178,033
Sell	1,779,078	1,178,033

As of December 31, 2020 and 2019, financial assets at fair value through profit and loss in the amounts of $17,501,131 thousand and $13,458,214 thousand, respectively, were sold under repurchase agreements.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31 2020	December 31 2019
Investments in equity instruments at FVTOCI		
Domestic listed shares	$ 4,388,090	$ 1,529,323
Overseas listed shares	5,848,951	5,312,590
Unlisted shares	1,913,887	1,157,095
	12,150,928	7,999,008
Investments in debt instruments at FVTOCI		
Overseas corporate bonds	14,093,944	9,801,611
Overseas bond debentures	6,190,979	5,394,699
Corporate bonds	8,410,769	6,736,723
Overseas government bonds	6,192,951	5,772,116
Government bonds	6,364,162	5,532,808
	41,252,805	33,237,957
	$ 53,403,733	$ 41,236,965

Details of the Company's investments in foreign and domestic unlisted shares are as follows:

	December 31 2020	December 31 2019
Taiwan Futures Exchange	$ 474,583	$ 439,293
Line Bank Taiwan Limited	411,657	55,281
Financial Information Service Co., Ltd.	309,392	294,550
RFD Micro Electricity Co., Ltd.	107,543	-
Cosmos Foreign Exchange Intl. Co., Ltd.	95,046	-
Taiwan Asset Management Corporation	77,164	77,077
Taiwan Depository & Clearing Corporation	65,631	59,862
iPass Corporation	60,044	84,205
Healthy Io Limited	53,752	-
Taiwan Financial Asset Service Corporation	48,105	48,244
Others	210,970	98,583
	$ 1,913,887	$ 1,157,095

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 $9,216,124 thousand and $19,671,156 thousand of its financial assets at FVTOCI under a repurchase agreement on December 31, 2020 and 2019, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2020	2019
Negotiable certificates of deposit	$ 51,275,000	$ 42,960,000
Debt instruments		
Government bonds	10,252,526	11,173,137
Overseas asset-backed securities	29,170,136	50,037,012
	39,422,662	61,210,149
	$ 90,697,662	$ 104,170,149

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

The Company sold financial assets at amortized cost under repurchase agreements in the amounts of $23,249,254 thousand and $44,134,600 thousand in 2020 and 2019, 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, 2020		
	Financial Assets at FVTOCI	Financial Assets at Amortized Cost	Total
Book value	$ 39,606,238	$ 39,602,262	$ 79,208,500
Loss allowance	(62,099)	(179,600)	(241,699)
Fair value adjustment	1,708,666	-	1,708,666
	$ 41,252,805	$ 39,422,662	$ 80,675,467

	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

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, 2020
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-4.0303%	$ 80,675,467
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, 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%	-

Note: Credit rating of investment in debt instruments at December 31, 2019 and 2020 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, 2020	$ 384,687	$ -	$ -
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	-	-	-
Significant increase in credit risk to low credit risk	-	-	-
Significant increase in credit risk to default	-	-	-
New debt instruments purchased	9,311	-	-
Derecognition	(114,854)	-	-
Changes in risk or model parameters	(16,566)	-	-
Change in exchange rates	(20,879)	-	-
Loss allowance on December 31, 2020	$ 241,699	$ -	$ -
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	45,738	-	-
Derecognition	(567)	-	-
Changes in risk or model parameters	17,935	-	-
Change in exchange rates	(7,878)	-	-
Loss allowance on December 31, 2019	$ 384,687	$ -	$ -

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2020	**2019**
Commercial paper	$ 21,377,310	$ 24,223,631
Corporate bonds	39,645,492	23,023,883
Government bonds	38,500	-
Negotiable certificates of deposit	2,850,171	4,170,311
	$ 63,911,473	$ 51,417,825

(Continued)

	December 31	
	2020	2019
Maturity date	2021.01-2021.03	2020.01-2020.02
Resale price	$ 63,915,601	$ 51,433,006

(Concluded)

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

13. RECEIVABLES, NET

	December 31	
	2020	2019
Notes and accounts receivable	$ 19,957,195	$ 17,512,470
Interbank clearing fund receivable	1,818,946	1,200,345
Investment receivable	1,078,978	545,843
Interest receivable	914,906	1,050,794
Accounts receivable factoring without recourse	480,043	443,208
Collections receivable	119,055	231,540
Acceptances receivable	107,221	112,902
Others	678,915	286,943
	25,155,259	21,384,045
Less: Allowance for doubtful accounts	218,683	206,938
	$ 24,936,576	$ 21,177,107

Refer to Note 53 for the impairment loss analysis of receivables.

The changes in gross carrying amounts of receivables for the years ended December 31, 2020 and 2019 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, 2020	$ 20,158,232	$ 115,600	$ 1,110,213	$ 21,384,045
Receivables assessed collectively	(319,562)	15,250	304,312	-
Receivables purchased or originated	11,705,803	32,872	133,603	11,872,278
Write-offs	-	-	(197,910)	(197,910)
Derecognition	(7,591,515)	(54,574)	(257,065)	(7,903,154)
Balance at December 31, 2020	$ 23,952,958	$ 109,148	$ 1,093,153	$ 25,155,259

(Continued)

	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	(328,035)	20,798	307,237	-
Receivables purchased or originated	9,214,594	49,909	107,104	9,371,607
Write-offs	-	-	(283,410)	(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

(Concluded)

The Company has accrued an allowance for doubtful accounts receivable, the changes in allowance for doubtful accounts receivable for the years ended December 31, 2020 and 2019 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, 2020	$ 50,434	$ 18,678	$ 93,187	$ 162,299	$ 44,639	$ 206,938
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(424)	491	(67)	-	-	-
Credit-impaired financial assets	(79,269)	(34,219)	113,488	-	-	-
12-month ECL	433	(294)	(139)	-	-	-
Derecognition of financial assets in the current reporting period	(21,940)	(5,558)	(14,849)	(42,347)	-	(42,347)
New financial assets purchased or originated	107,954	37,452	90,710	236,116	-	236,116
Difference of impairment loss under regulations	-	-	-	-	11,985	11,985
Write-offs	-	-	(197,910)	(197,910)	-	(197,910)
Recovery of written-off receivables	-	-	225,538	225,538	-	225,538
Change in others	(89)	128	(221,516)	(221,477)	-	(221,477)
Change in exchange rate	(160)	-	-	(160)	-	(160)
Balance at December 31, 2020	$ 56,939	$ 16,678	$ 88,442	$ 162,059	$ 56,624	$ 218,683

(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, 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	(79,107)	(33,206)	112,313	-	-	-
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)
Write-offs	-	-	(283,410)	(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

(Concluded)

14. DISCOUNTS AND LOANS, NET

		December 31	
		2020	2019
Discounts and overdraft		$ 29,755	$ 27,537
Accounts receivable - financing		30,810	19,570
Loans			
Short-term	- unsecured	50,188,146	50,364,941
	- secured	73,500,827	72,321,679
Medium-term	- unsecured	33,808,522	30,733,615
	- secured	81,554,274	69,154,200
Long-term	- unsecured	9,446,186	7,877,847
	- secured	178,410,767	157,821,517
Import and export negotiations		275,199	271,447
Overdue loans		379,110	356,275
		427,623,596	388,948,628
Less: Allowance for doubtful accounts		4,778,233	4,298,955
		$ 422,845,363	$ 384,649,673

As of December 31, 2020 and 2019, the balances of nonaccrual loans were $379,110 thousand and $356,275 thousand, respectively. The unrecognized interest revenues on nonperforming loans were $9,925 thousand in 2020 and $9,095 thousand in 2019.

In 2020 and 2019, 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 53 for impairment loss analysis of discounts and loans.

The changes in gross carrying amounts on receivables for the years ended December 31, 2020 and 2019 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, 2020	$ 385,403,689	$ 2,015,580	$ 1,529,359	$ 388,948,628
Discount and loans assessed collectively	(925,108)	529,855	395,253	-
Discount and loans purchased or originated	237,483,263	406,605	407,431	238,297,299
Write-offs	-	-	(122,057)	(122,057)
Derecognition	(197,751,130)	(1,077,776)	(671,368)	(199,500,274)
Balance at December 31, 2020	$ 424,210,714	$ 1,874,264	$ 1,538,618	$ 427,623,596
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

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, 2020 and 2019 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, 2020	$ 240,125	$ 175,604	$ 372,647	$ 788,376	$ 3,510,579	$ 4,298,955
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(366)	2,069	(1,703)	-	-	-
Credit-impaired financial assets	(319)	(13,684)	14,003	-	-	-
12-month ECL	28,352	(21,828)	(6,524)	-	-	-
Derecognition of financial assets in the current reporting period	(198,594)	(111,620)	(124,513)	(434,727)	-	(434,727)
New financial assets purchased or originated	209,391	37,334	217,433	464,158	-	464,158
Difference of impairment loss under regulations	-	-	-	-	481,805	481,805
Write-offs	-	-	(122,057)	(122,057)	-	(122,057)
Recovery of written-off receivables	-	-	294,757	294,757	-	294,757
Change in others	(28,318)	38,631	(210,286)	(199,973)	-	(199,973)
Change in exchange rate	(4,685)	-	-	(4,685)	-	(4,685)
Balance at December 31, 2020	$ 245,586	$ 106,506	$ 433,757	$ 785,849	$ 3,992,384	$ 4,778,233
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

15. BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES

	For the Year Ended December 31	
	2020	2019
Provision for doubtful accounts on receivables	$ (15,723)	$ (10,541)
Provision for doubtful accounts on discounts and loans	311,263	237,216
Provision for doubtful accounts on guarantees	(5,000)	5,000
Provision for doubtful accounts on loan commitments	-	9,000
	$ 290,540	$ 240,675

16. SUBSIDIARIES

The investees included in the consolidated financial statements are as follows:

Investor	Investee	Main Businesses	Percentage of Ownership December 31 2020	Percentage of Ownership December 31 2019	
The Bank	Union Finance and Leasing International Corporation (UFLIC)	Installment, leasing and accounts receivable factoring.	100.00	100.00	Note 1
	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	Note 2
	Union Finance International (HK) Limited	Import and export financing.	99.99	99.99	Note 3
	Union Securities Investment Trust Corporation (USITC)	Securities investment trust.	99.60	99.60	Note 4
	Union Venture Capital Co., Ltd.	General Business investment	100.00	100.00	Note 5
UFLIC	Union Capital (Cayman) Corp. (Cayman)	Installment and leasing receivable factoring.	100.00	100.00	Note 6
	New Asian Ventures Ltd. (New Asian)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	Note 6
	Union Capital (Singapore) Holding Pte. Ltd. (Union)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	Note 6 and 8
	Uflc Capital (Singapore) Holding PTE. Ltd. (Uflc)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	Notes 6 and 8
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	100.00	100.00	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG15 (Japan) (SSG15)	A real estate securitized special purpose company.	30.55	30.55	Notes 7 and 8
Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	49.00	49.00	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	69.45	69.45	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	49.00	49.00	Notes 7 and 8
Kabushiki Kaisha UCJ1 (Japan)	Tokutei Mokuteki Kaisha SSG15 Japan) (SSG15)	A real estate securitized special purpose company.	49.00	49.00	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	51.00	51.00	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	51.00	51.00	Notes 7 and 8

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership December 31 2020	2019	
Union Venture Capital Co., Ltd.	Corner Union Venture Capital, LLC (Delaware, US)	General business investment	100.00	-	Note 9
	Na He Yi Hau Electric Power Inc.	Energy development and technology service	99.93	-	Note 10
	Ting Jie Electric Power Inc.	Energy development and technology service	90.00	-	Note 11
	Union Energy Co., Ltd	General business investment	100.00	-	Note 12
Corner Union Venture Capital, LLC (Delaware)	Corner Ventures DAG I-U, LLC (Delaware)	General business investment	100.00	-	Note 9
	Corner Union, LLC (Delaware)	General business investment	100.00	-	Note 9
Union Securities Investment Trust Corporation (USITC)	Union Private Equity Co., Ltd.	General business investment	100.00	-	Note 13

(Concluded)

Note 1: 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.

Note 2: Union Information Technology Corporation (UIT), which was incorporated on August 10, 1998, mainly renders software services, wholesale and retail of information software and telecommunications equipment, enterprise management consulting, etc.

Note 3: Union Finance International (HK) Limited was incorporated in Hong Kong on April 23, 1996. It mainly engages in financial services and financial investments.

Note 4: 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. To integrate resources and enhance operating effectiveness, the Bank requested to purchase 65% equity interest, which was approved by the board of directors on May 9, 2018. The investment was approved by the FSC under Rule No. 10802037180 on March 27, 2019. The Bank paid a total of $264,909 thousand for the purchase of 65% equity interest from the shareholders of USITC; the payments were made on July 5, 2019 and December 27, 2019. After the transaction was completed, the percentage of total equity interest increased from 35% to 99.60%.

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, the Bank 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 FSC under Rule No. 10802042270 on March 28, 2019. Union Venture Capital was established by the Bank on November 21, 2019; it mainly engages in general business investment. On August 14, 2020, for future business investment, the Bank’s board approved capital increase of $200,000 thousand. The capital increase was made on September 17, 2020. The total investment amount was $800,000 thousand, and the Bank held 100% of Union Venture Capital’s shares as of December 31, 2020

Note 6: 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, in July 1997 and October 1997, respectively; these investees mainly engage in financial investment.

Union and Uflc were established in September 2014 and March 2016 by Cayman in Singapore. The capital was both US$1. The companies mainly engage in business of investments, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc. The subsidiary of UFLIC, Union Capital (Cayman) Corp., wants to comply with local economic regulation. Therefore, on February 25, 2020, the board approved to restructure the investment by transferring to Uflc Capital (Singapore) Holding PTE. Ltd. and Union Capital (Singapore) Holding PTE. Ltd. the debt and equity from Union Capital (Cayman) to UFLIC on July 1, 2020 and July 23, 2020, respectively. The prices were $485,420 thousand and $161,836 thousand.

Note 7: Kabushiki Kaisha UCJ1, Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 are established to acquire real estate for Union Capital (Singapore) Holding Pte. Ltd. and Uflc Capital (Singapore) Holding Pte. Ltd. Kabushiki Kaisha UCJ1 mainly buys, sells, and leases real estate. Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 is a special purpose entity that securitizes real estate.

Note 8: Union Capital (Singapore) Holding Pte. Ltd., Uflc Capital (Singapore) Holding Pte. Ltd., Kabushiki Kaisha UCJ1, Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 have fiscal year end. The Company applied equity method based on September 30, 2020 balances, adjusted for significant changes.

Note 9: In order to manage Union Venture Corporation’s investment, the board agreed to sign investment advisory contract with Corner Venture Partners, LLC. With the contract, a subsidiary, Corner Union Venture Capital, LLC, and sub-subsidiaries Corner Ventures DAG I-U, LLC and Corner Union, LLC, were established in Delaware, USA, with the approval by Delaware state government in April and July 2020. Union Venture Corporation held 100% equity in the subsidiaries and engages in general business investment.

Note 10: In order to actively support the FSC’s needs to adapt to the nation’s overall industry development, on August 14, 2020, the board approved to make investment in green energy technology industry. The investment was in Na He Yi Hau Electric Power Inc., with total investment of $900 thousand for 90% equity. In order to continue the development of green engineering, capital increase was made on November 3, 2020. Union Venture Capital has invested a total of $148,900 thousand and held 99.93% of equity on December 31, 2020.

Note 11: In order to actively support the FSC’s needs to adapt to the nation’s overall industry development, on November 24, 2020, the board approved to acquire 90% equity of Ting Jie Electric Power Inc. Union Venture Capital has invested $900 thousand and held 90% of equity on December 31, 2020. It mainly engages in energy development and technology service

Note 12. In order to manage Union Venture Corporation’s investment, it established Union Energy Co., Ltd, with total investment of $100 thousand and held 100% equity. It mainly engages in general business investment management

Note 13. Union Securities Investment Trust Corporation actively supports the FSC’s needs to adapt to the nation’s overall industry development. On January 14, 2020, the board approved to establish Union Private Equity Co., Ltd. on September 17, 2020, with the total investment of $30,000 thousand and held 100% equity. The company mainly engages in general business investment and investment management advisory.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31	
	2020	2019
Not individually material		
Line BIZ+ Taiwan Limited	$ 1,484,708	$ 1,534,969
Union Real-Estate Management Corporation	52,281	52,513
	$ 1,536,989	$ 1,587,482

The summarized financial information in respect of the Company's associate is set out below:

	For the Year Ended December 31	
	2020	2019
Net loss	$ (50,493)	$ (35,980)

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 2020 and 2019 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	
	2020	2019
Pledged assets (Note 48)	$ 1,546,710	$ 1,514,930
Due from banks - certificate of deposit	2,979,551	2,114,433
Others	23,437	3,285
	$ 4,549,698	$ 3,632,648

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
Cost							
Balance at January 1, 2020	$ 3,845,398	$ 5,195,330	$ 1,430,452	$ 316,417	$ 435,465	$ 207,858	$ 11,430,920
Additions	6,246	17,181	74,873	23,423	53,692	52,142	227,557
Disposals	-	-	(125,486)	(5,451)	-	-	(130,937)
Reclassification	77,910	1,012	130,283	386	10,033	(210,272)	9,352
Effect of foreign currency exchange differences	-	-	(15)	-	-	-	(15)
Balance at December 31, 2020	3,929,554	5,213,523	1,510,107	334,775	499,190	49,728	11,536,877
Accumulated depreciation							
Balance at January 1, 2020	-	1,787,019	1,148,526	271,313	254,760	-	3,461,618
Depreciation	-	126,213	82,511	13,125	51,721	-	273,570
Disposals	-	-	(118,339)	(5,236)	-	-	(123,575)
Effect of foreign currency exchange differences	-	-	(13)	-	-	-	(13)
Balance at December 31, 2020	-	1,913,232	1,112,685	279,202	306,481	-	3,611,600
Balance at December 31, 2020, net	$ 3,929,554	$ 3,300,291	$ 397,422	$ 55,573	$ 192,709	$ 49,728	$ 7,925,277

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 Bank has paid to the government all the fees and the price of land originally reserved for the public facilities in exchange for transfer development rights (TDR) to increase the building area.

20. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	**2019**
Carrying amount		
Land and buildings	$ 1,741,760	$ 1,439,735

	For the Year Ended December 31	
	2020	**2019**
Additions to right-of-use assets	$ 742,370	$ 617,766
Depreciation charge for right-of-use assets		
Land and buildings	$ 444,225	$ 442,886

b. Lease liabilities

	December 31	
	2020	**2019**
Carrying amounts	$ 1,723,121	$ 1,415,180

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	**2019**
Land and buildings	0.73%-1.78%	0.89%-1.72%

c. Other lease information

	For the Year Ended December 31	
	2020	**2019**
Expenses relating to short-term leases	$ 195,687	$ 203,796
Total cash outflow for leases	$ (633,996)	$ (640,629)

The Company's leases of certain assets 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.

21. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
Cost			
Balance at January 1, 2020	$ 4,551,773	$ 1,055,137	$ 5,606,910
Additions	-	13,668	13,668
Reclassification	(42,418)	-	(42,418)
Net exchange difference	(3,911)	(1,664)	(5,575)
Balance at December 31, 2020	$ 4,505,444	$ 1,067,141	$ 5,572,585
Accumulated depreciation and impairment			
Balance at January 1, 2020	$ -	$ (237,130)	$ (237,130)
Depreciation	-	(47,759)	(47,759)
Net exchange differences	-	416	416
Balance at December 31, 2020	$ -	$ (284,473)	$ (284,473)
Balance at December 31, 2020, net	$ 4,505,444	$ 782,668	$ 5,288,112
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

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 $6,593,979 thousand and $6,601,085 thousand as of December 31, 2020 and 2019, 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 31 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, 2020 and 2019, refundable deposits paid under operating leases were $75,713 thousand and $75,546 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, 2020 and 2019 was as follows:

	December 31	
	2020	**2019**
Year 1	$ 137,471	$ 167,646
Year 2	74,405	98,686
Year 3	17,521	54,515
Year 4	14,855	14,627
Year 5	14,174	14,547
Year 6 onwards	99,766	120,718
	$ 358,192	$ 470,739

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, 2020 and 2019, the balances of accumulated impairment were both $902,691 thousand.

23. OTHER ASSETS, NET

	December 31	
	2020	2019
Assets leased to others, net	$ 5,828,598	$ 5,548,577
Refundable deposits	2,247,706	2,548,280
Prepaid expenses	1,212,519	657,448
Prepaid pension (Note 34)	186,071	174,565
Others	68,481	41,972
	$ 9,543,375	$ 8,970,842

24. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Call loans from banks	$ 6,616,671	$ 6,059,809
Deposits from Chunghwa Post Co., Ltd.	5,599,730	5,599,730
Deposits from the Central Bank and other banks	127,091	145,784
Overdraft	137,622	55,409
	$ 12,481,114	$ 11,860,732

25. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Due to the Central Bank and other banks	$ 3,786,720	$ -

26. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2020	2019
Commercial paper	$ 16,513,416	$ 13,471,704
Asset-based securities	18,014,455	34,959,474
Corporate bonds	5,011,996	8,259,790
Government bonds	2,749,077	4,177,567
Financial bonds	1,138,946	4,508,901
Negotiable certificates of deposit	1,000,286	-
	$ 44,428,176	$ 65,377,436
Maturity date	2021.01-2021.04	2020.01-2020.07
Repurchase price	$ 43,452,064	$ 65,663,465

27. PAYABLES

	December 31 2020	December 31 2019
Notes and checks in clearing	$ 1,171,066	$ 1,076,011
Investments payable	1,349,789	455,093
Accrued expenses	979,980	980,878
Interest payable	574,255	895,542
Collections payable	394,848	238,668
Bank acceptances payable	107,221	112,902
Tax payable	103,763	108,739
Settled price	69,746	127,990
Others	843,346	619,466
	$ 5,594,014	$ 4,615,289

28. DEPOSITS AND REMITTANCES

	December 31 2020	December 31 2019
Savings deposits	$ 364,921,557	$ 327,270,693
Demand deposits	115,241,243	92,564,567
Time deposits	112,396,084	106,932,371
Checking deposits	13,929,291	5,847,783
Negotiable certificates of deposit	305,900	234,500
Inward and outward remittances	66,424	49,186
	$ 606,860,499	$ 532,899,100

29. BANK DEBENTURES

	December 31 2020	December 31 2019
First issue of subordinated bank debentures in 2013; fixed rate at 2.10%; maturity: December 2020	$ -	$ 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	500,000
First issue of subordinated bank debentures in 2019; fixed rate at 1.23%; maturity: September 2029	1,500,000	1,500,000
	$ 7,200,000	$ 10,200,000

30. DEFERRED TAX LIABILITIES

	December 31, 2020
Deferred tax liabilities	$ 524,000

On December 31, 2020, the boards of directors of Na He Yi Hau Electric Power Inc. and Ting Jie Electric Power Inc. approved to issue 12,400 shares and 4,000 shares, respectively, of preferred stock. The face value of each stock is $10 dollars. The main terms and conditions of the preferred stock are the following:

a. Maturity: Preferred stock up to 20 years

b. Interest: The annual interest rate is 6.5%, based on the price of each stock

c. Dividend payment: Whereas Na He Yi Hau Electric Power Inc. and Ting Jie Electric Power Inc. 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. They have the sole discretion on the distribution of dividends of preferred stocks, which includes but not limited to the their 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 they have other essential considerations. If they resolves not to distribute dividends to the preferred shareholders, the shareholders of preferred stock shall raise no objection. The unpaid dividend will not be carried forward to years with earnings. Dividends of preferred stocks if distributed will be in cash and in one payment in a year. 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 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.

d. Restrictions on payment of dividends to common shares: Except for the dividends prescribed in the preceding subparagraphs, the shareholders of preferred stock are not entitled to participate in the distribution of earnings or capital reserve as cash or stock dividends of ordinary shares.

e. Redemption: After 5 years from the issue date, Na He Yi Hau Electric Power Inc. and Ting Jie Electric Power Inc. may, subject to the competent authority’s approval, redeem a portion or all of the outstanding shares of preferred stock at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock shall continue as specified in the agreement. If the stockholders’ meeting approves the distribution of dividends in the year the Na He Yi Hau Electric Power Inc. and Ting Jie Electric Power Inc. redeems the outstanding shares of preferred stock, 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.

f. Preferred stock repurchase: preferred stock cannot be sold by the holder of preferred stock.

g. Liquidation preference: In the event of liquidation the order of priority for the distribution of the earnings and assets due to the shareholders is first to common shareholders then to the preferred shareholders and not more than the issuance amount of outstanding shares of preferred stock.

h. Non-voting: Generally, the preferred shares do not assign voting rights to their holders. However, some preferred shares allow its holders to vote on extraordinary events.

i. Convertibility to common stock: Preferred shares may be converted to a predetermined number of common shares. Some preferred shares specify the date at which the shares can be converted, while others require approval from the board of directors for the conversion.

j. When the Na He Yi Hau Electric Power Inc. and Ting Jie Electric Power Inc. issues new shares in cash, the shareholders of preferred stock and the common stock shall be entitled to equivalent preemptive rights on the new shares.

31. BONDS PAYABLE

	December 31	
	2020	2019
Overseas corporate bonds - secured	$ 1,464,796	$ 1,473,858

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, every quarter will pay the interest and installment of JPY11,000 thousand. The overseas corporate bonds - secured has the book value of JPY2,178,000 thousand (NT$602,175 thousand). 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$530,844 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY3,769,321 thousand (NT$1,042,146 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$331,779 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY2,426,491 thousand (NT$670,879 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).

32. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Commercial paper	$ 7,304,800	$ 4,887,675
Principal amounts of structured products	115,361	-
Funds obtained from the government - intended for specific types of loans	-	111
	$ 7,420,161	$ 4,887,786

33. PROVISIONS

	December 31	
	2020	2019
Reserve for losses on guarantees and loan commitment	$ 216,360	$ 221,488
Provisions for employee benefits	12,764	8,568
Others	39,650	28,479
	$ 268,774	$ 258,535

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, 2020 and 2019 were as follows:

	2020					
	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	$ 51,294	$ 3,753	$ 28,150	$ 83,197	$ 138,291	$ 221,488
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(99)	99	-	-	-	-
Credit-impaired financial assets	(182)	(17)	199	-	-	-
12-month ECL	1,170	(1,170)	-	-	-	-
Derecognition of financial assets in the current reporting period	(33,417)	(2,608)	(28,300)	(64,325)	-	(64,325)
New financial assets purchased or originated	30,763	1,609	95	32,467	-	32,467
Difference of impairment loss under regulations	-	-	-	-	27,017	27,017
Change in others	(159)	-	-	(159)	-	(159)
Change in exchange rates	(128)	-	-	(128)	-	(128)
Balance at December 31, 2019	$ 49,242	$ 1,666	$ 144	$ 51,052	$ 165,308	$ 216,360

	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

34. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company (except for Union Finance International (HK) Limited) adopted a pension plan under the Labor Pension Act (LPA), 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 2020 and 2019 of $162,125 thousand and $146,629 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	
	2020	**2019**
Present value of defined benefit obligation	$ (1,668,388)	$ (1,704,114)
Fair value of plan assets	1,841,695	1,870,111
Surplus (deficit)	173,307	165,997
Net defined benefit assets (liabilities)	$ 173,307	$ 165,997
Provisions - accrued retirement liabilities	$ (12,764)	$ (8,568)
Other assets - prepaid retirement	$ 186,071	$ 174,565

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, 2020	$ (1,704,114)	$ 1,870,111	$ 165,997
Service cost			
Current service cost	(15,380)	-	(15,380)
Net interest (expense)	(11,965)	13,129	1,164
Recognized in profit or loss	(27,345)	13,129	(14,216)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	19,638	19,638
Actuarial gain (loss) - changes in financial assumptions	(59,172)	-	(59,172)
Actuarial gain (loss) - experience adjustments	47,216	-	47,216
Recognized in other comprehensive income	(11,956)	19,638	7,682
Contributions from the employer	-	13,844	13,844
Benefits paid	75,027	(75,027)	-
Balance at December 31, 2020	$ (1,668,388)	$ 1,841,695	$ 173,307
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

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	
	2020	**2019**
Discount rate	0.301%-0.383%	0.690%-0.714%
Expected rates of future salary increase	1.5%-2.5%	1.5%-2.5%

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	
	2020	**2019**
Discount rate(s)		
0.25% increase	$ (44,231)	$ (47,304)
0.25% decrease	$ 45,941	$ 49,206
Expected rate(s) of salary increase		
0.25% increase	$ 44,263	$ 47,544
0.25% decrease	$ (42,831)	$ (45,960)

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	
	2020	**2019**
The expected contributions to the plan for the next year	$ 14,168	$ 16,547
The average duration of the defined benefit obligation	9-15 years	9-14 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 $78 thousand in 2020 and $98 thousand in 2019.

35. OTHER LIABILITIES

	December 31	
	2020	**2019**
Guarantee deposits received	$ 2,438,297	$ 2,337,357
Advance receipts	1,040,272	827,904
Others	111,142	120,220
	$ 3,589,711	$ 3,285,481

36. EQUITY

a. Capital stock

Common stock

	December 31	
	2020	2019
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)	3,093,369	2,884,455
Amount of shares issued	$ 30,933,688	$ 28,844,553

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	
	2020	**2019**
Issuance of preference shares	$ 8,000,000	$ 8,000,000
Treasury stock transactions	32,413	32,413
Issuance of ordinary shares	7,622	3,071
	$ 8,040,035	$ 8,035,484

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	
	2020	**2019**
Balance at January 1	$ 627,440	$ 612,656
Special reserves appropriated	-	14,784
Balance at December 31	$ 627,440	$ 627,440

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 2019 and 2018 were approved in stockholders' meetings on May 28, 2020 and May 31, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2019	**2018**	**2019**	**2018**
Legal reserve	$ 1,007,837	$ 887,017		
Special reserve	-	14,784		
Cash dividends on ordinary shares	288,446	-	$ 0.1	$ -
Stock dividends on ordinary shares	2,019,119	1,883,009	0.7	0.7
Cash dividends on preference shares	480,000	480,000	2.4	2.4

The appropriations from the 2020 earnings were proposed by the board of directors on March 10, 2021. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,041,070	
Stock dividends on ordinary shares	1,951,916	$ 0.631
Cash dividends on preference shares	480,000	2.40

The appropriation of earnings for 2020 will be approved in stockholders' meeting to be held on May 28, 2021.

f. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (604,632)	$ (413,524)
Exchange differences arising on translation the foreign operations	(608,239)	(238,885)
Income tax on exchange differences on translation of the net assets of foreign operations	121,648	47,777
Balance at December 31	$ (1,091,223)	$ (604,632)

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1 (IFRS 9)	$ 5,289,524	$ 2,073,347
Generated this year		
Unrealized gain (loss)		
Debt instruments	1,040,127	1,611,224
Equity instruments	669,515	1,947,241
Adjustments to loss allowance for debt instruments	(19,120)	17,662
Disposal of debt instruments	(15,371)	(24,322)
Other comprehensive income for the year	1,675,151	3,551,805
Acquisition of interest in subsidiary	-	(2,105)
Accumulated gain (loss) transferred to retained earnings from disposal of equity instruments at FVTOCI	(22,382)	(333,523)
Balance at year-end	$ 6,942,293	$ 5,289,524

g. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 1,578	$ 245,726
Attributed to non-controlling interests		
Share of profit for the year	(204)	12,021
Unrealized gains (losses) on investments in equity instruments at fair value through gains or losses	3	(63)
Acquisition of non-controlling interests (Note 56)	200	(256,106)
Balance at December 31	$ 1,577	$ 1,578

37. NET INTEREST

	For the Year Ended December 31	
	2020	2019
Interest revenue		
Discounts and loans	$ 8,044,959	$ 7,792,869
Credit card	834,266	836,084
Due from the Central Bank and call loans to other banks	152,751	231,438
Securities purchased under resell agreements	221,157	269,316
Investments in debt instruments at amortized cost	1,621,720	1,912,430
Financial assets at fair value through other comprehensive income	958,260	901,475
Others	90,371	59,497
	11,923,484	12,003,109
Interest expense		
Deposits	3,161,086	3,897,601
Securities sold under repurchase agreements	256,508	246,880
Bank debentures	571,777	1,203,134
Due to Chunghwa Post Co., Ltd.	39,340	48,489
Others	253,713	129,543
	4,282,424	5,525,647
	$ 7,641,060	$ 6,477,462

38. COMMISSION AND FEE REVENUE, NET

	For the Year Ended December 31	
	2020	2019
Commission and fee revenue		
Credit cards and debit cards	$ 1,596,191	$ 1,319,093
Insurance commission	638,744	871,886
Trust business	572,023	478,926
Loan business	350,161	390,072
Interbank service fee	117,207	109,034
Underwriting business	104,690	101,056

(Continued)

	For the Year Ended December 31	
	2020	2019
Guarantee business	$ 88,911	$ 79,377
Others	247,963	227,860
	3,715,890	3,577,304
Commission and fee expense		
Credit card	658,125	632,799
Verification of credit	39,014	35,532
Interbank service fee	28,786	22,966
Acquiring liquidation deal	15,256	17,221
Others	154,236	151,940
	895,417	860,458
	$ 2,820,473	$ 2,716,846

(Concluded)

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

	For the Year Ended December 31	
	2020	2019
Realized gain or loss on financial assets at fair value through profit or loss		
Currency swap contracts	$ 512,717	$ 959,335
Foreign exchange forward contracts	37,061	324,367
Commercial papers	14,104	8,220
Beneficiary securities and shares	17,769	254,796
Option contracts	1,769	3,125
Government bonds	8,046	1,783
Corporate bonds	81,411	27,321
Dividend revenue	54,801	36,024
Interest revenue	245,917	272,159
Principal guaranteed notes	11,725	33,242
Cross-currency swap contracts	16,175	61,109
Futures exchange margins	(1,406)	1,124
	1,000,089	1,982,605
Unrealized gain or loss on financial assets at fair value through profit or loss		
Derivative financial assets and liabilities	805,279	(585,369)
Beneficiary securities and shares	(26,987)	81,591
Commercial paper	(6,922)	(1,257)
Government bonds and corporate bonds	(444)	8,302
	770,926	(496,733)
	$ 1,771,015	$ 1,485,872

40. REALIZED GAIN ON FINANCIAL ASSETS AT FVTOCI

	For the Year Ended December 31	
	2020	2019
Dividend revenue	$ 403,377	$ 321,880
Net income on disposal - debt instruments	15,371	24,322
	$ 418,748	$ 346,202

41. IMPAIRMENT LOSS (REVERSAL OF LOSS)

	For the Year Ended December 31	
	2020	2019
Debt instruments at FVTOCI	$ 14,349	$ (19,605)
Financial assets at amortized cost	107,760	(43,501)
Foreclosed collateral	6,751	20,185
	$ 128,860	$ (42,921)

42. SALARY AND BENEFITS OF EMPLOYEES

	For the Year Ended December 31	
	2020	2019
Salaries and wages	$ 2,541,877	$ 2,445,490
Bonus	865,683	859,571
Pension		
Defined contribution plans	162,203	146,727
Defined benefit plans	14,216	16,431
Labor insurance and national health insurance	318,376	304,795
Others	63,527	58,228
	$ 3,965,882	$ 3,831,242

The Bank accrued compensation of employees and remuneration of directors at the rates of between 1% and 5% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 10, 2021 and March 11, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	1.84%	1.84%
Remuneration of directors	0.09%	0.09%

Amount

	For the Year Ended December 31			
	2020		2019	
	Cash	Share	Cash	Share
Compensation of employees	$ -	$ 72,242	$ -	$ 74,567
Remuneration of directors and supervisors	3,534	-	3,647	-

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 compensation of employees, which was determined by dividing the amount of the compensation of employees resolved for 2020 and 2019 by $10.85 and $10.65, respectively, which is the closing price per share on the day immediately preceding the meeting of the Company's board of directors was 6,658 thousand shares and 7,002 thousand shares for 2020 and 2019, respectively.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for 2020 and 2019.

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

43. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2020	2019
Assets leased	$ 1,645,757	$ 1,588,030
Property and equipment	273,570	317,258
Investment properties	47,759	47,304
Intangible assets	81,097	88,404
Right-of-use assets	444,225	442,886
	$ 2,492,408	$ 2,483,882

44. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2020	2019
Advertisement	$ 1,034,289	$ 602,989
Taxation and government fee	668,675	698,324
Outsourcing service	339,905	315,017
Postage/cable charge	267,644	265,487
Rental	196,119	203,796
Computer operating	185,607	166,439
Maintenance charge	181,436	153,116
Deposit insurance	149,368	140,993
Others	716,814	736,766
	$ 3,739,857	$ 3,282,927

45. 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	
	2020	2019
Current tax		
Current year	$ 507,413	$ 498,030
Additional income tax on unappropriated earnings	1,516	139
Prior year's adjustments	(7,953)	4,785
	500,976	502,954
Deferred tax		
Current year	(806)	153,024
Income tax expense recognized in profit or loss	$ 500,170	$ 655,978

A reconciliation of accounting profit and current income tax expense for the years ended December 31, 2020 and 2019 is as follows:

	For the Year Ended December 31	
	2020	2019
Income before tax	$ 3,941,675	$ 4,027,456
Income tax expense at the 20% statutory rate	$ 785,117	$ 800,051
Tax-exempt income	(469,482)	(275,218)
Nondeductible expenses in determining taxable income	19,751	26,376
Additional income tax under the Alternative Minimum Tax Act	57,631	1,869
Unrecognized deductible temporary differences	6,824	24,090
Additional income tax on unappropriated earnings	1,516	139
Loss on disposal of investments in equity instruments at fair value through other comprehensive income	-	1,387
Other permanent differences	56,171	72,499
Effect of change in tax rate	50,595	-
Adjustments for prior year's tax	(7,953)	4,785
Income tax expense recognized in profit or loss	$ 500,170	$ 655,978

For the subsidiaries, the income tax rate in Hong Kong is 16.5%; in Japan 30%, and in Singapore 17%.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	**2019**
Deferred tax		
Recognized in other comprehensive income:		
Exchange differences on the translation of financial statements of foreign operations	$ 121,648	$ 47,777
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(107,125)	(300,175)
Actuarial gains and losses on defined benefit plans	(1,536)	(34,858)
Total income tax expenses (benefit) recognized in other comprehensive income	$ 12,987	$ (287,256)

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, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Impairment loss of financial instruments	$ 42,700	$ (8,700)	$ -	$ -	$ 34,000
Exchange difference on translation of foreign operations	148,236	-	121,648	-	269,884
Employee benefit plan	175,694	2,284	892	-	178,870
Allowance for possible losses and reserve for losses on guarantees	81,728	12,890	-	-	94,618
Investment properties	137,317	(1,928)	-	-	135,389
Others	113,246	(33,529)	-	-	79,717
	$ 698,921	$ (28,983)	$ 122,540	$ -	$ 792,478
Deferred tax liabilities					
Temporary differences					
Financial assets at fair value through other comprehensive income	$ (996,121)	$ -	$ (107,125)	$ -	$ (1,103,246)
Amortization of goodwill impairment loss	(397,061)	-	-	-	(397,061)
Others	(224,019)	29,789	(2,428)	30	(196,628)
	$ (1,617,201)	$ 29,789	$ (109,553)	$ 30	$ (1,696,935)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Impairment loss of financial instruments	$ 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)

d. Information on loss carryforwards

The Company's loss carryforwards as of December 31, 2020 were as follows:

	Unused Amount	Expiry Year
Union Securities Investment Trust Corporation	$ 28,788	2023
Union Finance International (HK) Limited	$ 95,360	N/A

e. Income tax assessments

	Examined and Cleared
Union Bank of Taiwan	Through 2017
Union Finance and Leasing International	Through 2018
Union Information Technology	Through 2018
Union Securities Investment Trust Corporation	Through 2018

46. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 0.96	$ 0.93
Diluted earnings per share	$ 0.96	$ 0.93

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	
	2020	**2019**
Net profit	$ 3,441,709	$ 3,359,457
Less: Dividends on preference shares	(480,000)	(480,000)
Earnings used in the computation of basic earnings per share	$ 2,961,709	$ 2,879,457
Earnings used in the computation of diluted earnings per share	$ 2,961,709	$ 2,879,457

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

	For the Year Ended December 31	
	2020	**2019**
Weighted average number of ordinary shares used in the computation of basic earnings per share	3,092,030	3,085,172
Effect of potentially dilutive ordinary shares		
Compensation or bonuses of employees	8,059	7,943
Weighted average number of ordinary shares used in the computation of diluted earnings per share	3,100,089	3,093,115

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 July 31, 2020. The basic and diluted earnings per share were both adjusted from $1.00 to $0.93 for the year ended December 31, 2019.

47. 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
Union Green Energy Private Equity Limited Partnership	Union Private Equity Co., Ltd. and UFLIC are general partner and limited partner, respectively
Others	Directors, managers, and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2020

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2020	Ending Balance	Loan Classification Normal Loans	Loan Classification Nonper-forming Loans	Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
Consumer loans	20	$ 16,372	$ 9,649	$ 9,649	$ -	Land, buildings and cars	None
Self-used housing mortgage loans	56	171,171	88,730	88,730	-	Real estate	None
Others	6	12,384	11,396	11,396	-	Land and buildings	None

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		Interest Revenue		
	Amount	%	Rate	Amount	%
2020	$ 109,775	0.03	1.15%-3.00%	$ 2,164	0.02
2019	123,424	0.03	1.56%-2.64%	2,551	0.02

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate (Note)	Amount	%
2020	$ 12,060,316	1.99	0%-4.80%	$ 31,353	0.73
2019	5,267,414	0.99	0%-4.80%	48,121	0.87

3) Guarantees and letters of credit

December 31, 2020

Name	Highest Balance in the Year Ended December 31, 2020	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.	2,517	-	-	-	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.50%	Time deposits
Hi-Life International Co., Ltd.	20,300	20,300	-	0.40%	-

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	-	-	-	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%	-

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	%
2020				
Yu-Pang	$ 461,141	20.52	$ 58,225	3.38
Hung-Kuo	219,465	9.76	407,013	23.62
13.80Yong-Xuan	16,494	0.73	192,338	11.16
UECC	4,651	0.21	56,146	3.26

(Continued)

	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	0.7

(Concluded)

The Bank rented space to install an ATM of Hi-life International Corporation, the rent expense was $65 in 2020 thousand and $1,372 thousand in 2019. Rental payable as December 31, 2020 and 2019 were $5 thousand and $14 thousand, respectively.

5) Financial assets at fair value through profit or loss

The Company wants to applied the fund more efficiency and participate in the investment of green energy development. Therefore, Union Private Equity Co., Ltd. has established Union Green Energy Private Equity Limited Partnership on December 2020, and invested $20 thousand as a general partner and the other general partner is UFLIC. The total investment is $556,336 thousand on December 31, 2020.

As of December 31, 2020 and 2019, the UFLIC had purchased 6,968 thousand units of beneficiary certificates issued by USITC, which amounted to $127,847 thousand and $123,481 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 $25,252 thousand and $4,273 thousand, respectively in 2020 and 2019.

7) LINE PAY provided the credit card bonus points and cooperative marketing activities to the Bank. The advertising fee was $695,168 thousand and $136,198 thousand, respectively in 2020 and 2019.

8) Hi-Life provided the commodity bonus exchange and marketing activities to the Bank. The advertising fees were $867 thousand and $815 thousand in 2020 and 2019, 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	
	2020	2019
Short-term employment benefits		
Salaries	$ 47,313	$ 47,925
Transportation expenses	1,365	1,240
Other	17	11
	48,695	49,176
Post-employment benefits	3,554	8,653
	$ 52,249	$ 57,829

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

48. PLEDGED ASSETS

a. As of December 31, 2020, the Bank deposit of $1,000,000 in Central Bank Reserve Account, for undertaking the loan facility to help small and medium sized companies hit by the COVID-19 pandemic.

b. As of December 31, 2020 and 2019, government bonds and bank debentures, which amounted to $293,305 thousand and $318,605 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.

c. As of December 31, 2020 and 2019, the Bank pledged a time deposit of both $1,100,000 thousand (part of other financial assets) to Mega International Commercial Bank and Mizuho Bank to be part of the latter's online bank-to-bank payment system.

d. 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	
	2020	2019
Other financial assets		
Pledge assets	$ 77,781	$ 90,463
Investment property	$ 2,765,969	$ 2,757,876

e. As of December 31, 2020 and 2019, notes receivable (not expired) amounting to $504,173 thousand and $643,196 thousand had been used as collaterals to apply for loans and issue commercial papers, respectively.

49. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 2020 and 2019, the Company's commitments consisted of the following:

	December 31	
	2020	2019
Irrevocable standby loan commitment	$ 124,910,213	$ 115,314,710
Unused credit card commitment	290,942,911	280,852,350
Unused letters of credit	1,012,925	893,729
Other guarantees	15,593,398	15,348,358
Collections for customers	24,196,089	28,655,887
Travelers' checks consigned-in	-	64,613
Guarantee notes payable	1,377,300	1,402,600
Trust assets	85,935,248	75,781,532
Marketable securities under custody	4,985,682	5,966,407

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	
	2020	2019
Within 1 year	$ 1,884,198	$ 1,835,100
Over 1 year to 5 years	1,954,589	1,934,986
	$ 3,838,787	$ 3,770,086

c. Computer equipment purchase contracts

As of December 31, 2020 and 2019, the Company had contracts to buy computer equipment and software for $191,419 thousand and $195,651 thousand, respectively, of which $110,133 thousand and $89,557 thousand had been paid as of December 31, 2020 and 2019, 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. On August 2019, the plaintiff has appealed to the Supreme court of US. The Supreme court of US rejected the appeal and considered as protest; therefore, the case is back to Bankruptcy 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.

50. OTHER

Since January 2020, the COVID-19 pandemic has influenced the global economy; it is causing uncertainty in the economic growth. The Company increased the level of risk advisory, pressure test, loan management and continuously tracking different financial risks data. After critical analysis, the Company concluded that the effect of the COVID-19 pandemic will not influence the Company's ability to continue operating or cause significant asset impairment loss.

51. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts
December 31, 2020

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 8,157,969	Management fee payable	$ 13
Investments		Income tax payable	706
Mutual funds	47,850,626	Marketable securities payable	16,366,695
Debt	3,971	Trust capital	69,507,816
Common stock	330,003	Reserve and deficit	60,018
Accounts receivable	9,687		
Stock in custody	16,366,695		
Real estate - land and building	13,216,297		
Total	$ 85,935,248	Total	$ 85,935,248

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2020.

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.

Income Statement of Trust Accounts
Year Ended December 31, 2020

	Amount
Trust income	
Interest revenue - demand accounts	$ 628
Interest revenue - time deposits	21,286
Interest revenue - debt	100
Cash dividends - common stock	9,077
Income from beneficiary certificates	269
Realized capital gain - fund	287
Unrealized capital gain - fund	311
Unrealized capital gain - common stock at stock exchange market	45,250
Total trust income	77,208
Trust expense	
Management expense	15,827
Taxation	5,487
Agency fees	3,152
Unrealized capital loss - common stock at stock exchange market	238
Unrealized capital loss - debt	45
Realized capital loss - fund	1,186
Unrealized capital loss - fund	423
Others	1,687
Total trust expense	28,045
Gain before tax	49,163
Income tax expense	(1,593)
Net gain	$ 47,570

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

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.

Trust Property and Equipment Accounts
December 31, 2020

Investment Portfolio	Amount
Bank deposits	$ 8,157,969
Investments	
Mutual funds	47,850,626
Debt	3,971
Common stock	330,003
Accounts receivable	9,687
Stock in custody	16,366,695
Real estate - land and buildings	13,216,297
	$ 85,935,248

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2020.

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.

52. 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, 2020 and 2019 were as follows:

(In Thousands of New Taiwan Dollars)

	December 31, 2020			
	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	$ 178,152	$ 133,711	$ -	$ 44,441
Debt instruments	298,124	-	298,124	-
Beneficiary certificates	1,300,172	743,818	-	556,354
Commercial paper	31,361,157	-	31,361,157	-
Asset-based securities	57,897	-	57,897	-
Negotiable certificates of deposit	999,450	-	999,450	-
Futures exchange margins	56,665	56,665	-	-
Financial assets at fair value through other comprehensive income				
Stock	12,150,928	10,237,041	-	1,913,887
Debt instruments	41,252,805	-	41,252,805	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	630,231	-	574,513	55,718
Liabilities				
Financial liabilities at FVTPL	206,002	-	150,308	55,694

	December 31, 2019			
	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 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	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	268,446	-	241,461	26,985
Liabilities				
Financial liabilities at FVTPL	650,981	-	624,005	26,976

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 2020 and 2019.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2020

(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	$ 26,985	$ 10,676	$ -	$ 53,028	$ -	$ (34,971)	$ -	$ 55,718
Financial assets at fair value through other comprehensive income								
Equity instruments	1,157,095	-	(113,900)	914,867	-	(44,175)	-	1,913,887

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	1,134,574	-	24,899	-	-	(2,378)	-	1,157,095

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2020

(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	$ 26,976	$ 22,568	$ -	$ 36,334	$ -	$ (30,184)	$ -	$ 55,694

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

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

Item	Product	2020/12/31 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	$ 55,718	Option pricing model	Ratio	AUD/JPY 9.51%-10.18% AUD/USD 9.72% EUR/USD 6.87%-8.15% NZD/USD 10.16%-10.68% USD/CNH 6.10% USD/TWD 4.30%-5.95% USD/ZAR 15.80%-16.22%	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	556,354	Assets value model	Allowance of minority interest	5%-20%	The higher the equity dispersion is, the lower the fair value
	Stock	1,509,518	Assets value model	Allowance of minority interest	5%-20%	The higher the equity dispersion is, the lower the fair value
	Stock	404,369	Income 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	55,694	Option pricing model	Ratio	AUD/JPY 9.51%-10.18% AUD/USD 6.69% EUR/USD 6.87%-8.15% NZD/USD 10.16%-10.68% USD/CNH 6.10% USD/TWD 4.3%-5.95% USD/ZAR 15.80%-16.22%	The higher the ratio is, the higher the fair value

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

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, 2020

	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	$ 191,389	$ (191,389)

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)

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			
	2020		**2019**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets				
Financial assets measured at amortized cost	$ 90,697,662	$ 93,603,257	$ 104,170,149	$ 106,472,282
Financial liabilities				
Bank debentures	7,200,000	7,280,129	10,200,000	10,218,066

2) Fair value hierarchy

Items	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 93,603,257	$ -	$ 93,603,257	$ -
Financial liabilities				
Bank debentures	7,280,129	-	7,280,129	-

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	-

53. 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, 2020	**December 31, 2019**
Irrevocable standby loan commitment	$ 9,449,892	$ 9,548,993
Unused letters of credit	1,012,925	893,729
Other guarantees	15,593,398	15,348,358
Unused credit card commitments	290,942,911	280,852,350

December 31, 2020	Collateral	Netting Arrangements	Other Credit Enhancement	Total
In-balance sheet items				
Discount and loans	$ 356,521,477	$ -	$ -	$ 356,521,477

December 31, 2019	Collateral	Netting Arrangements	Other Credit Enhancement	Total
In-balance sheet items				
Discount and loans	$ 317,772,279	$ -	$ -	$ 317,772,279

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, 2020		**December 31, 2019**	
	Amount	**%**	**Amount**	**%**
Private enterprises	$ 117,401,556	26.37	$ 106,475,131	26.30
Public enterprises	107,900	0.02		
Government organizations	36,370,927	8.17	34,150,025	8.43
Nonprofit organizations	584,112	0.13	797,036	0.20
Private organizations	287,106,008	64.93	262,021,341	64.72
Financial Institutions	627	-	787	-
Foreign enterprises	1,693,804	0.38	1,408,776	0.35
Total	$ 443,264,934	100.00	$ 404,853,096	100.00

b) By geographical area

The Company's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2020		**December 31, 2019**	
	Amount	**%**	**Amount**	**%**
Unsecured	$ 79,092,381	17.82	$ 78,566,192	19.40
Secured				
Financial instruments	10,345,503	2.33	11,439,874	2.83
Stocks	12,565,587	2.83	11,341,285	2.80
Properties	307,553,396	69.30	276,838,598	68.38
Movables	20,259,264	4.56	18,660,538	4.61
Guarantees	12,682,520	2.86	7,520,867	1.86
Others	1,306,676	0.30	485,742	0.12
Total	$ 443,805,327	100.00	$ 404,853,096	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:

December 31, 2020

Credit-impaired Financial Assets	**Carrying Amount**	**Allowance for Impairment Loss**	**Exposure Amount (Amortized Cost)**	**Fair Value of Collateral**
Receivables				
Credit cards	$ 1,016,564	$ 56,259	$ 960,305	$ -
Other	31,495	23,854	7,641	11,671
Discounts and loans	1,538,618	433,757	1,104,861	3,555,487
	$ 2,586,677	$ 513,870	$ 2,072,807	$ 3,567,158

December 31, 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

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:

Quantitative indicators

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, 2020				
	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	$ 23,952,958	$ 109,148	$ 1,093,153	$ -	$ 25,155,259
Less: Allowance for impairment loss	56,939	16,678	88,442	-	162,059
Less: Additional impairment loss required under regulations	-	-	-	56,624	56,624
	$ 23,896,019	$ 92,470	$ 1,004,711	$ 56,624	$ 24,936,576

	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

	Discounts and Loans December 31, 2020				
	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	$ 424,210,714	$ 1,874,264	$ 1,538,618	$ -	$ 427,623,596
Less: Allowance for impairment loss	245,586	106,506	433,757	-	785,849
Less: Additional impairment loss required under regulations	-	-	-	3,992,384	3,992,384
	$ 423,965,128	$ 1,767,758	$ 1,104,861	$ 3,992,384	$ 422,845,363

	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

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, 2020					
	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
Deposits from the Central Bank and other banks	$ 4,899,167	$ 6,532,291	$ 525,050	$ 15,000	$ 509,606	$ 12,481,114
Due to the Central Bank and other banks	26,000	35,650	$ 84,300	248,720	3,392,050	3,786,720
Securities sold under agreements to repurchase	25,701,954	18,720,220	6,002	-	-	44,428,176
Accounts payables	3,357,074	1,180,689	873,480	164,672	18,099	5,594,014
Deposits and remittance	39,569,566	64,746,534	82,685,570	157,934,658	261,924,171	606,860,499
Preferred stock liabilities	-	-	-	-	524,000	524,000
Bank debentures	-	-	-	-	7,200,000	7,200,000
Bonds payable	-	-	-	-	1,464,796	1,464,796
Other liabilities	5,290,504	2,396,706	157,093	280,736	1,733,419	9,858,458

	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, 2020						
	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	$ 419,180	$ 1,083,984	$ 155,267	$ 62,791	$ 6,370	$ -	$ 1,727,592

	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

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

	December 31, 2020					
	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	$ 18,335,891	$ 11,082,638	$ 492,466	$ 831,586	$ -	$ 30,742,581
Cash inflow	18,222,640	11,065,864	488,806	826,142	-	30,603,452
	113,251	16,774	3,660	5,444	-	139,129
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	$ 113,251	$ 16,774	$ 3,660	$ 5,444	$ -	$ 139,129

	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

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

	December 31, 2020					
	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	$ 1,738	$ 5,357	$ 2,058	$ 11,917	$ -	$ 21,070

	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

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 2020 and 2019, 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 $734,108 thousand and $373,604 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, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 3,761,016	28.5080	$ 107,219,033
JPY	18,801,471	0.2765	5,198,250
GBP	6,024	38.9163	234,437
AUD	147,591	21.9740	3,243,151
HKD	358,334	3.6775	1,317,758
CAD	16,364	22.3575	365,860
CNY	829,320	4.3813	3,633,524
SGD	4,355	21.5790	93,974
ZAR	1,173,971	1.9510	2,290,464
CHF	1,493	32.3587	48,327
THB	460	0.9517	438
NZD	24,718	20.5970	509,109
EUR	42,365	35.0534	1,485,056
Financial liabilities			
USD	3,242,859	28.5080	92,447,414
JPY	13,972,564	0.2765	3,863,148
GBP	6,028	38.9163	234,582
AUD	147,527	21.9740	3,241,745
HKD	323,354	3.6775	1,189,122
CAD	16,344	22.3575	365,408
CNY	829,328	4.3813	3,633,560
SGD	4,306	21.5790	92,928
ZAR	1,173,864	1.9510	2,290,254
CHF	1,543	32.3587	49,916
NZD	24,681	20.5970	508,348
EUR	35,505	35.0534	1,244,575

	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

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, 2020					
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	$ 17,501,131	$ 17,513,701	$ 17,501,131	$ 17,513,701	$ (12,570)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	9,216,124	8,900,020	9,216,124	8,900,020	316,104
Financial assets at amortized cost Securities sold under repurchase agreements	23,249,254	18,014,455	25,511,315	18,014,455	7,496,860

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

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, 2020						
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	$ 630,231	$ -	$ 630,231	$ 1,704	$ -	$ 628,527

December 31, 2020						
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	$ 206,002	$ -	$ 206,002	$ 96,346	$ -	$ 109,656

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

54. 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, 2020 Own Capital Adequacy Ratio	December 31, 2020 Consolidated Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		$ 40,774,470	$ 40,287,801
	Other Tier 1 capital		12,096,138	12,984,989
	Tier 2 capital		8,100,742	11,372,099
	Eligible capital		60,971,350	64,644,889
Risk-weighted assets	Credit risk	Standard	358,829,620	370,831,564
		Internal rating-based approach	-	-
		Asset securitization	1,457,002	1,457,002
	Operational risk	Basic indicator approach	21,379,484	25,122,017
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	30,328,618	32,384,711
		Internal model approach	-	-
	Total risk-weighted assets		411,994,724	429,795,294
Capital adequacy rate			14.80%	15.04%
Ratio of common stockholders’ equity to risk-weighted assets			9.90%	9.37%
Ratio of Tier 1 capital to risk-weighted assets			12.83%	12.39%
Leverage ratio			6.55%	6.49%

Items (Note 2) / Year			December 31, 2019 Own Capital Adequacy Ratio	December 31, 2019 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%

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.

55. 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 53 and Table 5.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2020			
Rank (Note 1)	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group G - real estate development	$ 2,541,500	4.22
2	Company H - retail of other food and beverages	2,003,000	3.33
3	Company B - other financial intermediation	1,459,000	2.42
4	Company S - automotive manufacturing	1,230,000	2.04
5	Company M - sporting and athletic articles manufacturing	974,000	1.62
6	Company Q - telecommunications	955,043	1.59
7	Company C - instant food manufacturing	907,194	1.51
8	Company W - real estate development	800,000	1.33
9	Company V - accommodation	799,600	1.33
10	Company K - manufacture of rubber products	790,000	1.31

(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

b. Market risk

Interest Rate Sensitivity
December 31, 2020

(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	$ 532,258,985	$ 10,984,353	$ 12,845,941	$ 71,950,434	$ 628,039,713
Interest rate-sensitive liabilities	290,976,871	222,689,736	70,806,321	25,993,196	610,466,124
Interest rate-sensitive gap	241,282,114	(211,705,383)	(57,960,380)	45,957,238	17,573,589
Net worth					56,248,988
Ratio of interest rate-sensitive assets to liabilities					102.88%
Ratio of interest rate sensitivity gap to net worth					31.24%

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%

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, 2020

(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	$ 2,142,337	$ 504,181	$ 164,487	$ 1,402,049	$ 4,213,054
Interest rate-sensitive liabilities	1,601,332	433,271	492,622	702,642	3,229,867
Interest rate-sensitive gap	541,005	70,910	(328,135)	699,407	983,187
Net worth					175,908
Ratio of interest rate-sensitive assets to liabilities					130.44%
Ratio of interest rate sensitivity gap to net worth					558.92%

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%

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, 2020	Year Ended December 31, 2019
Return on total assets	Before income tax	0.54	0.60
	After income tax	0.47	0.50
Return on common equity	Before income tax	7.18	8.22
	After income tax	6.14	6.70
Net income ratio		23.85	24.31

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, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2020

(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	$ 691,415,883	$ 196,433,057	$ 32,469,854	$ 49,004,565	$ 94,019,121	$ 319,489,286
Main capital outflow on maturity	796,002,195	84,997,650	113,456,441	103,382,981	191,598,487	302,566,636
Gap	(104,586,312)	111,435,407	(80,986,587)	(54,378,416)	(97,579,366)	16,922,650

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

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, 2020

(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	$ 4,339,872	$ 686,488	$ 1,448,642	$ 535,083	$ 170,022	$ 1,499,637
Main capital outflow on maturity	4,318,776	923,214	1,130,312	472,516	585,694	1,207,040
Gap	21,096	(236,726)	318,330	62,567	(415,672)	292,597

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

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).

56. 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

57. 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: Table 3 (attached)

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 4 (attached)

9) Sale of nonperforming loans: None

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

11) Other significant transactions which may affect the decisions of users of financial reports: Table 5 (attached)

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

13) Derivative transactions: Note 8

b. Investment in Mainland China: None

c. Intercompany relationships and significant intercompany transactions.

The detailed information of intercompany relationships and significant intercompany transactions are referred to Table 7 (attached).

58. 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, 2020						
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	Total
Net interest (Note)	$ 1,498,697	$ 3,425,738	$ (1,646)	$ 1,555,350	$ (57,793)	$ 1,466,630	$ 7,886,976
Net commissions and fees revenues	170,818	1,481,686	879,726	138,623	(406)	150,026	2,820,473
Net revenues other than interest	197,671	(6,867)	1,492	929,380	2,361,895	239,342	3,722,913
Total net revenues	1,867,186	4,900,557	879,572	2,623,353	2,303,696	1,855,998	14,430,362
Provisions (reversal)	(10,510)	55,291	-	(11,801)	23,324	234,236	290,540
Operating expenses	835,478	3,368,788	535,695	179,390	2,155,740	3,123,056	10,198,147
Income before income tax	$ 1,042,218	$ 1,476,478	$ 343,877	$ 2,455,764	$ 124,632	$ (1,501,294)	$ 3,941,675

	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

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, 2020
(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 (Singapore) Holding PTE. Ltd.	Receivables of affiliates	$ 1,022,980 (JPY 3,700,000)	$ 1,022,980 (JPY 3,700,000)	$ 726,378 (JPY 2,627,225)	1.5	Business transaction	$ 1,022,980 (JPY 3,700,000)	-	$ -	-	$ -	$ 2,998,292	$ 2,998,292
	Union Financial and Leasing International Corporation	Uflc Capital (Singapore) Holding PTE. Ltd.	Receivables of affiliates	1,797,127 (JPY 6,500,000)	1,797,127 (JPY 6,500,000)	1,527,228 (JPY 5,523,808)	1.5	Business transaction	1,797,127 (JPY 6,500,000)	-	-	-	-	2,998,292	2,998,292
	Union Financial and Leasing International Corporation	Feng Sheng Steel CO., LTD.	Account receivable	18,000	18,000	13,622	7-10	Short-term financing	-	Business financing	136	Real estate	19,326	2,998,292	2,998,292
	Union Financial and Leasing International Corporation	Minamoto Kitazawa International Co., Ltd.	Account receivable	35,000	35,000	23,808	3-6	Short-term financing	-	Business financing	476	Real estate	27,400	2,998,292	2,998,292
	Union Financial and Leasing International Corporation	Megaful CO., LTD.	Account receivable	66,100	66,100	64,161	3-6	Short-term financing	-	Business financing	642	Real estate	73,484	2,998,292	2,998,292
2	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	525,314 (JPY 1,900,000)	525,314 (JPY 1,900,000)	405,284 (JPY 1,465,865)	2.75	Business transaction	525,314 (JPY 1,900,000)		-	-	-	2,998,292	2,998,292
3	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	912,387 (JPY 3,300,000)	912,387 (JPY 3,300,000)	789,493 (JPY 2,855,504)	2.75	Business transaction	912,387 (JPY 3,300,000)		-		-	2,998,292	2,998,292

TABLE 2

UNION BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020				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	801	$ 7,056	0.007	$ 7,056	
	Hey-Song Corporation	-	Financial assets at fair value through other comprehensive income	4,551	149,955	1.13	149,955	
	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	101,190		100,828	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	854	26,658		22,653	
	Union Green Energy Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss		556,334		556,334	
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,019	27,041	14.38	30,300	
Union Securities Investment Trust (USITC)	Stock							
	Fundrish Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	566	5,126	0.94	5,126	
	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	17,670		17,670	
	Union Emerging Asia Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	486	5,675		5,675	
	Union Money Market	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,230	16,377		16,377	
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	83	2,583		2,583	
	Union China	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	80	2,935		2,935	

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2020 Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
	Union Technology Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	210	$ 3,920		$ 3,920	
	Union APEC Balanced A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,358	23,340		23,340	
	Union Asian High Yield Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	2,300	24,667		24,667	
	Union Global High Dividend Strategic Investment Fund (USD-A)	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	438	5,095		5,095	
Union Finance International (HK) Limited	Stock							
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	5	US$ 663		US$ 663	
	Obsidian	-	Financial assets at fair value through other comprehensive income	17	US$ 11		US$ 11	
	Mr. Cooper Group Inc.		Financial assets at fair value through other comprehensive income	1	US$ 46		US$ 46	
	Microsoft Corp.	-	Financial assets at fair value through profit or loss	3	US$ 667		US$ 667	
	Nvidia Corp.		Financial assets at fair value through profit or loss	3	US$ 1,567		US$ 1,567	
Union Venture Capital Co., Ltd.	Stock							
	Greenway environmental technology CO., LTD.		Financial assets at fair value through other comprehensive income	1,100	17,761	2.82	17,761	
	RFD Micro Electricity Co. Ltd.		Financial assets at fair value through other comprehensive income	2,521	107,543	15.69	107,543	
	Hope vision CO., LTD.		Financial assets at fair value through other comprehensive income	1,200	31,954	2.49	31,954	
	Cosmos foreign exchange Intl. Co., Ltd.		Financial assets at fair value through other comprehensive income	1,100	95,046	9.17	95,046	
Corner Ventures DAG I-U, LLC (Delaware, US)	Stock							
	Dantari Pharmaceuticals, LLC	-	Financial assets at fair value through other comprehensive income	Preferred stock 260	US$ 260	-	US$ 260	
	Fabric Ltd.		Financial assets at fair value through other comprehensive income	Preferred stock 182	US$ 992	-	US$ 992	
	Healthy.io Limited		Financial assets at fair value through other comprehensive income	Preferred stock 2	US$ 95	-	US$ 95	
			Financial assets at fair value through other comprehensive income	Preferred stock 6	US$ 291	-	US$ 291	
			Financial assets at fair value through profit or loss	Preferred stock 31	US$ 1,559	-	US$ 1,559	
	Prismo Systems Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 49	US$ 378	-	US$ 378	

(Continued)

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Nexar Ltd.		Financial assets at fair value through other comprehensive income	Preferred stock 83	US$ 945	-	US$ 945	
	Latigo Biotherapeutics, Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 222	US$ 154	-	US$ 154	
	Oncovalent Therapeutics Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 102	US$ 106	-	US$ 106	
	Twin Health, Inc.		Financial assets at fair value through other comprehensive income	Preferred stock 186	US$ 614	-	US$ 614	
Corner Union LLC (Delaware, US)	Stock							
	Healthy.io Limited	-	Financial assets at fair value through other comprehensive income	Preferred stock 30	US$ 1,500	-	US$ 1,500	
		-						
Union Private Equity Co., Ltd.	Beneficiary certificates							
	Union Green Energy Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss		20		20	

(Concluded)

TABLE 3

UNION BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF PROPORTION SHARE INVESTMENT OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEARS END DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount	Number of Shares	Amount
Union Bank of Taiwan	Stock LINE Bank Taiwan Limited	Financial assets at fair value through other comprehensive income	LINE Bank Taiwan Limited	-	-	$ -	50,000	$ 500,000	-	$ -	-	$ -	50,000	$ 411,657
Union Finance and Leasing International Corporation	Beneficiary certificates Union Green Energy Private Equity Limited Partnership	Financial assets at fair value through profit or loss	Union Green Energy Private Equity Limited Partnership	-	-	-		556,334	-	-	-	-		556,334

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

Note 2: Investors who use the equity method in their securities accounts must fill in these two columns, the rest are not

Note 3: The accumulated buying and selling amount should be calculated separately at market price whether it reaches 300 million yuan or 10% of the paid-in capital.

TABLE 4

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, 2020
(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 (Singapore) Holding Pte. Ltd.	Subsidiary	$ 726,378 (JPY 2,627,225)	-	$ -	-	$ -	$ -
Union Finance and Leasing International Corporation	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	1,527,228 (JPY 5,523,808)	-	-	-	-	-
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	405,284 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	789,493 (JPY 2,855,504)	-	-	-	-	-

TABLE 5

UNION BANK OF TAIWAN AND SUBSIDIARIES

ASSET QUALITY - NONPERFORMING LOANS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2020					December 31, 2019				
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		$ 239,421	$ 112,515,889	0.21%	$ 1,751,804	507.05%	$ 264,677	$ 105,089,682	0.25%	$ 1,609,158	464.60%
	Unsecured		106,065	68,184,808	0.16%			81,673	65,572,028	0.12%		
Consumer banking	Housing mortgage (Note 4)		150,626	191,585,318	0.08%	2,410,675	1,600.44%	113,546	169,441,368	0.07%	2,132,294	1,877.91%
	Cash card		86	15,487	0.56%	2,811	3,268.60%	613	22,454	2.73%	4,407	718.92%
	Small-scale credit loans (Note 5)		90,413	35,040,265	0.26%	380,303	420.63%	96,288	29,698,095	0.32%	331,493	344.27%
	Other (Note 6)	Secured	17,774	19,393,472	0.09%	232,640	1,221.72%	16,482	18,483,090	0.09%	221,603	1,331.51%
		Unsecured	1,268	2,347,963	0.05%			161	2,376,022	0.01%		
Loan			605,653	429,083,202	0.14%	4,778,233	788.94%	573,440	390,682,739	0.15%	4,298,955	749.68%
			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			25,247	17,280,465	0.15%	142,695	565.20%	36,959	16,237,934	0.23%	159,838	432.47%
Accounts receivable factored without recourse			-	480,043	-	4,800	-	-	443,208	-	4,432	-

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, 2020		December 31, 2019	
	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)	$ 14,432	$ 68,937	$ 21,195	$ 96,575
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	198,375	730,286	136,314	738,307
Total	212,807	799,223	157,509	834,882

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, 2020
(In Thousands of New Taiwan Dollars)

Investor 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	$ 2,998,319	$ 33,995	153,000	-	153,000	100.00	
	Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99	129,604	30,813	30,000	-	30,000	99.99	
	Union Securities Investment Trust Corporation	Taipei	Securities investment trust	99.60	414,021	24,241	31,014	-	31,014	99.60	
	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	13,462	(543)	1,000	-	1,000	99.99	
	Union Venture Capital Corporation	Taipei	Venture Investment	100.00	770,676	(12,225)	80,000	-	80,000	100.00	
	Ipass Corporation	Kaohsiung	IC card	11.40	60,044	-	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	77,164	-	6,000	-	6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	48,105	-	5,000	-	5,000	2.94	
	Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44	4,366	-	386	-	386	6.44	
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	7,352	-	160	-	160	0.81	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.47	309,392	-	12,875	-	12,875	2.47	
	Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	65,631	-	945	-	945	0.25	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	474,583	-	7,216	-	7,216	2.04	
	Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	3,213	-	600	-	600	1.00	
	LINE BIZ+ Taiwan., Ltd.	Taipei	Data processing, digital information supply and third party payment services	10.00	1,484,708	(50,261)	5,471	-	5,471	10.00	Note 3
	Nonfinancial - related										
	Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00	52,281	(232)	2,000	-	2,000	40.00	
	Fu Hua Venture Corporation	Taipei	Investment	5.00	1,558	-	156	-	156	5.00	
	Li Yu Venture Corporation	Taipei	Investment	4.76	4,076	-	558	-	558	4.76	
	Lian An Service Corporation	Taipei	Security service	5.00	1,517	-	125	-	125	5.00	
	Taiwan Power Corporation	Taipei	Electricity - related business	0.0012	3,651	-	395	-	395	0.0012	
	LINE Bank Taiwan Limited	Taipei	Banking	5.00	411,657	-	50,000		50,000	5.00	
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	59,507	58,188	50	-	50	100.00	
	New Asian Ventures Ltd.	BVI	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	51,998	799	-	-	-	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	71,359 (JPY 258,098)	1,682 (JPY 6,052)	-	-	-	100.00	Note 4
	Uflc Capital (Singapore) Holding Pte. Ltd.	Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	87,823 (JPY 317,646)	(4,855) (JPY 17,470)	-	-	-	100.00	Note 4

(Continued)

Investor 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: Shares (Thousands)	Pro Forma Shares (Note 2)	Total: Shares (Thousands)	Total: Percentage of Ownership (%)	Note
Union Capital (Singapore) Holding Pte. Ltd.	Nonfinancial - related										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	30.55	$ 134,251 (JPY 485,570)	$ 1,140 (JPY 4,103)	9	-	9	30.55	Note 4
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	49.00	214,705 (JPY 776,564)	21,069 (JPY 75,814)	Note 6	-	Note 6	49.00	Note 4
Kabushiki Kaisha UCJ1	Nonfinancial - related										
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	51.00	223,454 (JPY 808,209)	21,929 (JPY 78,909)	Preferred stock 15	-	Preferred stock 15	51.00	Note 4
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	51.00	289,552 (JPY 1,047,276)	16,815 (JPY 62,976)	Preferred stock 20	-	Preferred stock 20	51.00	Note 4
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	51.00	193,439 (JPY 699,647)	10,184 (JPY 36,647)	Preferred stock 13	-	Preferred stock 13	51.00	Note 4
Uflc Capital (Singapore) Holding Pte. Ltd.	Nonfinancial - related										
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	69.45	305,215 (JPY 1,103,926)	2,593 (JPY 9,329)	21	-	21	69.45	Note 4
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	49.00	278,211 (JPY 1,006,256)	16,815 (JPY 60,506)	Note 7	-	Note 7	49.00	Note 4
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	49.00	185,867 (JPY 672,260)	9,785 (JPY 35,210)	Note 5	-	Note 5	49.00	Note 4
Union Securities Investment Trust Co., Ltd.	Financial - related										
	Union Private Equity Co., Ltd.	Taiwan	Investment services	100.00	29,492	(508)	3,000		3,000	100.00	
Union Venture Capital Co., Ltd.	Nonfinancial - related										
	Na He Yi Hau Electric Power Inc.	Taiwan	Electricity - related business	99.93	144,447	(4,453)	14,890		14,890	99.93	
	Ting Jie Electric Power Inc.	Taiwan	Electricity - related business	90.00	(1,795)	(2,695)	90		90	90.00	
	Union Energy Co., Ltd.	Taiwan	Investment advisory services and energy related business	100.00	99	(1)	10		10	100.00	
	Corner Union Venture Capital, LLC.	United States of America	Investment	100.00	234,511 (US$ 7,950)	2,201 (US$ 74)	-		-	100.00	
Corner Union Venture Capital, LLC.	Nonfinancial - related										
	Corner Ventures DAG I-U, LLC.	United States of America	Investment	100.00	185,106 (US$ 6,493)	713 (US$ 24)	-		-	100.00	
	Corner Union, LLC.	United States of America	Investment	100.00	41,952 (US$ 1,472)	840 (US$ 28)	-		-	100.00	

Note 1: Except for LINE BIZ+ Taiwan., Ltd., the investees' information shown above is based on audited financial reports as of December 31, 2020.

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, 2020.

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 7

UNION BANK OF TAIWAN AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	$ 182,638	Note 4	0.02
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - checking deposits	11,787	Note 4	0.00
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - time deposits	879,031	Note 4	0.12
1	UFLIC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	1,073,456	Note 4	0.14
0	The Bank	UFLIC and its subsidiaries	a	Discounts and loans	1,459,606	Note 4	0.19
1	UFLIC and its subsidiaries	The Bank	b	Due from banks	1,459,606	Note 4	0.19
0	The Bank	UFLIC and its subsidiaries	a	Other operating expenses	11,061	Note 4	0.08
1	UFLIC and its subsidiaries	The Bank	b	Rental revenue	11,061	Note 4	0.08
0	The Bank	UFLIC and its subsidiaries	a	Interest revenue	28,721	Note 4	0.20
1	UFLIC and its subsidiaries	The Bank	b	Interest expense	28,721	Note 4	0.20
0	The Bank	UIT	a	Deposits and remittances - demand deposits	29,362	Note 4	0.00
3	UIT	The Bank	b	Call loans and due to other banks - call loans from banks	29,362	Note 4	0.00
0	The Bank	UIT	a	Other assets	29,237	Note 4	0.00
3	UIT	The Bank	b	Other liabilities	29,237	Note 4	0.00
0	The Bank	UIT	a	Net revenues other than interest	136,744	Note 4	0.95
3	UIT	The Bank	b	Other operating expenses	136,744	Note 4	0.95
0	The Bank	UIT	a	Accrued payables - expense	4,410	Note 4	0.00
3	UIT	The Bank	b	Receivables - accounts receivables	4,410	Note 4	0.00
0	The Bank	UVC and its subsidiaries	a	Deposits and remittances - demand deposits	77,952	Note 4	0.01
4	UVC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	77,952	Note 4	0.01
0	The Bank	USITC and its subsidiaries	a	Deposits and remittances - demand deposits	29,839	Note 4	0.00
0	The Bank	USITC and its subsidiaries	a	Deposits and remittances - time deposits	29,700	Note 4	0.00
5	USITC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	59,539	Note 4	0.01
0	The Bank	USITC	a	Deposits and remittances - time deposits	168,600	Note 4	0.02
5	USITC	The Bank	b	Other financial assets	168,600	Note 4	0.02
0	The Bank	USITC	a	Accrued payables - expense	3,616	Note 4	0.00
5	USITC	The Bank	b	Receivables - accounts receivables	3,616	Note 4	0.00
0	The Bank	USITC	a	Interest expense	1,727	Note 4	0.01
5	USITC	The Bank	b	Interest revenue	1,727	Note 4	0.01
0	The Bank	USITC	a	Commissions and fee revenue	9,829	Note 4	0.07
5	USITC	The Bank	b	Commissions and fee expense	9,829	Note 4	0.07
3	UIT	UFLIC	c	Net revenues other than interest	248	Note 4	0.00
3	UIT	UFLIC	c	proprietary and broking sales revenue	1,699	Note 4	0.01
6	UFLIC	UIT	c	Other operating expenses	1,947	Note 4	0.01
3	UIT	UFLIC	c	Net revenues other than interest	1,236	Note 4	0.01
6	UFLIC	UIT	c	Other operating expenses	1,236	Note 4	0.01
6	UFLIC	Union Capital (Cayman) Corp.	c	Receivables - receivables from related parties	2,267,544	Note 4	0.30

(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)
7	Union Capital (Cayman) Corp.	UFLIC	c	Payables - payables to related parties	$ 2,267,544	Note 4	0.30
6	UFLIC	Union Capital (Cayman) Corp.	c	Interest revenue	21,493	Note 4	0.15
7	Union Capital (Cayman) Corp.	UFLIC	c	Interest expense	21,493	Note 4	0.15
7	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	c	Receivables - receivables from related parties	727,512	Note 4	0.10
8	Union Capital (Singapore) Holding Pte. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	727,512	Note 4	0.10
7	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding Pte. Ltd.	c	Receivables - receivables from related parties	1,540,032	Note 4	0.20
10	Uflc Capital (Singapore) Holding Pte. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	1,540,032	Note 4	0.20
7	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	c	Interest revenue	10,952	Note 4	0.08
8	Union Capital (Singapore) Holding Pte. Ltd.	Union Capital (Cayman) Corp.	c	Interest expense	10,952	Note 4	0.08
7	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding Pte. Ltd.	c	Interest revenue	23,027	Note 4	0.16
10	Uflc Capital (Singapore) Holding Pte. Ltd.	Union Capital (Cayman) Corp.	c	Interest expense	23,027	Note 4	0.16
8	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	405,650	Note 4	0.05
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding Pte. Ltd.	c	Payables - payables to related parties	405,650	Note 4	0.05
10	Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	803,351	Note 4	0.11
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding Pte. Ltd.	c	Payables - payables to related parties	803,351	Note 4	0.11
8	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	11,233	Note 4	0.08
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding Pte. Ltd.	c	Interest expense	11,233	Note 4	0.08
10	Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	21,870	Note 4	0.15
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding Pte. Ltd.	c	Interest expense	21,870	Note 4	0.15

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)

TABLE 8

UNION BANK OF TAIWAN AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Name of Major Shareholder	Shares			
	Number of Shares			Percentage of Ownership (%)
	Ordinary Shares	Preferred Shares	Total	
Tsong-Li Investment Co., Ltd.	246,153	-	246,153	7.47
Pai-Sheng Investment Co., Ltd	156,818	8,167	164,985	5.00

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.